



***HCU NETWORK AMERICA
(A NONPROFIT CORPORATION)***

*Financial Statements
December 31, 2019 and 2018*

HCU NETWORK AMERICA
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
 HCU Network America
 Batavia, Illinois

We have reviewed the accompanying financial statements of HCU Network America (a Pennsylvania nonprofit corporation) (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Kutchins, Robbins & Diamond, Ltd.

Schaumburg, Illinois
 June 13, 2020

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STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

See independent accountants' review report and notes to financial statements.

	<u>2019</u>	<u>2018</u>
<i>ASSETS</i>		
CURRENT ASSETS		
Cash	\$ 186,779	\$ 136,928
Contributions receivable	<u>6,934</u>	<u>2,531</u>
	<u>\$ 193,713</u>	<u>\$ 139,459</u>
<i>LIABILITIES AND NET ASSETS</i>		
LIABILITIES		
Deferred revenue	\$ -	\$ 30,600
NET ASSETS		
Without donor restrictions	<u>193,713</u>	<u>108,859</u>
	<u>\$ 193,713</u>	<u>\$ 139,459</u>

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

See independent accountants' review report and notes to financial statements.

	<u>2019</u>	<u>2018</u>
REVENUES		
Contributions	\$ 135,835	\$ 98,524
Program income	88,961	42,134
In-kind contributions	18,488	-
	<u>243,284</u>	<u>140,658</u>
EXPENSES		
Program services	113,709	78,975
Fundraising	10,555	2,298
Management, administrative and general	34,166	22,240
	<u>158,430</u>	<u>103,513</u>
CHANGE IN NET ASSETS	84,854	37,145
NET ASSETS WITHOUT DONOR RESTRICTIONS AT BEGINNING OF YEAR	<u>108,859</u>	<u>71,714</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u><u>\$ 193,713</u></u>	<u><u>\$ 108,859</u></u>

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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

See independent accountants' review report and notes to financial statements.

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management, Administrative and General</u>	<u>Total</u>
Office supplies	\$ -	\$ 668	\$ -	\$ 668
Bank fees	-	296	16	312
Printing and copying	-	276	-	276
Conferences and seminars	33,655	-	-	33,655
Accounting and legal	-	-	28,958	28,958
Licenses and permits	-	-	10	10
Professional fees	683	-	-	683
Payroll and related	48,437	9,082	3,027	60,546
Postage and mailing	-	233	48	281
Other	-	-	2,107	2,107
Program expenses	16,527	-	-	16,527
Travel and entertainment	14,407	-	-	14,407
	<u>\$ 113,709</u>	<u>\$ 10,555</u>	<u>\$ 34,166</u>	<u>\$ 158,430</u>

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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

See independent accountants' review report and notes to financial statements.

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management, Administrative and General</u>	<u>Total</u>
Computer expense	\$ 39	\$ -	\$ -	\$ 39
Office supplies	-	-	177	177
Bank fees	-	-	301	301
Printing and copying	-	-	2,601	2,601
Conferences and seminars	25,720	-	-	25,720
Accounting and legal	-	-	10,040	10,040
Licenses and permits	-	-	10	10
Professional fees	2,770	-	-	2,770
Payroll and related	36,759	2,298	6,892	45,949
Postage and mailing	-	-	359	359
Other	-	-	1,860	1,860
Program expenses	8,791	-	-	8,791
Travel and entertainment	4,896	-	-	4,896
	<u>\$ 78,975</u>	<u>\$ 2,298</u>	<u>\$ 22,240</u>	<u>\$ 103,513</u>

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

See independent accountants' review report and notes to financial statements.

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 84,854	\$ 37,145
Adjustments to reconcile change in net assets to net cash from operating activities		
Change in assets and liabilities		
Contributions receivable	(4,403)	(1,016)
Deferred revenue	(30,600)	30,600
	<u>49,851</u>	<u>66,729</u>
NET CHANGE IN CASH	49,851	66,729
CASH AT BEGINNING OF YEAR	<u>136,928</u>	<u>70,199</u>
CASH AT END OF YEAR	<u><u>\$ 186,779</u></u>	<u><u>\$ 136,928</u></u>

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NOTES TO FINANCIAL STATEMENTS

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See independent accountants' review report.

NATURE OF ACTIVITIES

HCU Network America (the "Organization") is a national nonprofit organization whose purpose is to help patients with Homocystinuria (HCU) and related disorders manage their disease and to find a cure. The Organization supports research to improve diagnosis and treatment including a cure for the disease. The Organization creates connections across the community and facilitates sharing of information and best practices through in-person and virtual events and discussions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accounting records and the accompanying financial statements have been maintained and prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

New Accounting Pronouncement: Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) and the related amendments. The core principle of the new guidance is that revenue should be recognized to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. In addition, new and expanded revenue disclosures are required. The Organization has applied this standard using the modified retrospective method. Given the nature of the Organization's revenue transactions, the new guidance had no impact on the Organization's operating revenue, results of operations, and financial position for the year ended December 31, 2019. The Organization has identified program income (conference income and fundraising events) to be subject to the adoption of Topic 606.

Basis of Presentation: Net assets without donor restrictions include resources that are not subject to donor-imposed restrictions plus those resources for which donor-imposed restrictions have been satisfied. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions related to specific purposes or time periods. Satisfaction of net assets with donor restrictions (i.e. when the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) is reported as a reclassification from net assets with donor restrictions to net assets without donor restrictions. The Organization reports contributions with a donor-imposed restriction whose restrictions are met in the same reporting period as without donor restrictions in the statements of activities. There were no net assets with restrictions at December 31, 2019 and 2018.

Cash and Cash Equivalents: The Organization considers all checking and money market accounts as cash and highly liquid debt instruments purchased with a maturity of three months or less and used to support daily operations to be cash equivalents.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Resources: The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet between three and six months of operating expenses, which average approximately \$25,000 to \$50,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's financial assets are available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	186,779
Contributions receivable		<u>6,934</u>
Total	\$	<u>193,713</u>

Contributions Receivable: The balance represents contributions and pledges due from donors. Receivables are periodically reviewed for collectability by management and an estimated allowance for doubtful accounts is recorded, if necessary. Management believes all amounts to be collectible and, therefore, no allowance for doubtful accounts has been recorded at December 31, 2019 or 2018.

Contributions: Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the absence or existence and nature of any donor restrictions. All contributions received during the years ended December 31, 2019 and 2018 are without donor restrictions.

Revenue Recognition: The Organization recognizes revenue based on satisfaction of its performance obligations, with the exception of contributions. Contributions represent nonreciprocal transactions and are not subject to the provisions of Topic 606.

The amount of revenue recorded reflects the consideration to which the Organization expects to be entitled in exchange for goods or services. For program income, the specific charge is based on a set fee or actual cost to provide the member service. Revenue amounts are generally believed to be collectable, as the Organization has experienced negligible bad debts historically. Revenue recognition policies for the Organization's primary revenue sources are summarized as follows:

Program income Program income is comprised of conference events and fundraising events throughout the year. Payment for program income is usually due with 30 days of performance or invoicing. The Organization recognizes revenue on the various programs at the point in time when the events take place.

The following is a breakdown of the Organization's program income:

	<u>2019</u>	<u>2018</u>
Conferences and courses	\$ 62,500	\$ 26,900
Fundraising	26,461	15,234
Total	<u>\$ 88,961</u>	<u>\$ 42,134</u>

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued):

In 2019, the Organization recognized revenue of \$30,600 from amounts that were included in deferred program income at December 31, 2018. There was no deferred program income at December 31, 2019.

The nature, amount, timing, and uncertainty of revenue and cash flows for the Organization's revenue sources can be impacted by economic factors, but the impact is typically limited, as there are no outside customers for the Organization, only donors and other partners, who pay fixed charges for attendance at various fundraising events.

Donated Services: A significant amount of donated services are contributed to the Organization by various members to support the Organization's programs and supporting services. These volunteer activities include participation on the Board of Directors and numerous other committees. The value of these services has not been included in the financial statements.

In Kind Contributions: In kind contributions are recognized upon completion of the requested services.

Deferred Revenue: Sponsorship and other fees received for events to be held in the subsequent year are recorded as deferred revenue and are recognized as income upon the occurrence of the event.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Exempt Status: The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, any income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: Management has evaluated subsequent events through June 13, 2020, the date the financial statements were available to be issued.

RELATED PARTY

The Organization received a total of \$105,000 and \$90,000 of contribution revenue from organizations affiliated with a board member for the years ended December 31, 2019 and 2018, respectively.

CONCENTRATIONS

Four and three organizations contributions comprise approximately 61% and 70% of the Organization's funding in 2019 in 2018, respectively.

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COMMITMENT

In 2020, the Organization signed an agreement to host their 2021 conference in a hotel. If cancelled, the Organization may be liable for a cancellation fee.

SUBSEQUENT EVENT

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's fundraising events, conferences, ability to reach out to stakeholders and contributions.