

Pachyonychia Congenita Fund

Financial Statements and Independent Auditor's Report

For the Year Ended December 31, 2013

Pachyonychia Congenita Fund

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Independent Auditor's Report

The Board of Directors and Stockholders
Pachyonychia Congenita Fund

We have audited the accompanying financial statements of Pachyonychia Congenita Fund (a Non-Profit Organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pachyonychia Congenita Fund as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mantyla McReynolds, LLC
Salt Lake City, Utah
July 11, 2014

Pachyonychia Congenita Fund
Statement of Financial Position
December 31, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 575,559
Due from related party	471
Total current assets	<u>576,030</u>

Property and equipment, net	6,102
Total assets	<u>\$ 582,132</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	24,986
Total current liabilities	<u>24,986</u>

Net assets

Unrestricted net assets	557,146
Total net assets	<u>557,146</u>
Total liabilities and net assets	<u>\$ 582,132</u>

See accompanying notes to the financial statements

Pachyonychia Congenita Fund
Statement of Activities
For the Year Ended December 31, 2013

	Temporarily		Total
	Unrestricted	Restricted	
Revenues and reclassifications			
Contributions	\$ 659,018	\$ -	\$ 659,018
Grants	27,490	-	27,490
Interest	127	-	127
Total revenues and reclassifications	686,635	-	686,635
Expenses			
Program services	401,494	-	401,494
Supportive services	29,108	6,273	35,381
Fundraising services	19,234	-	19,234
Total expenses	449,836	6,273	456,109
Change in net assets	236,799	(6,273)	230,526
Net assets as of beginning of year	320,347	6,273	326,620
Net assets as of end of year	\$ 557,146	\$ -	\$ 557,146

See accompanying notes to the financial statements

Pachyonychia Congenita Fund
Statement of Functional Expenses
For the Year Ended December 31, 2013

	Program Services	Support Services	Fundraising Services	Total
Clinical trials	\$ 23,200	\$ -	\$ -	\$ 23,200
Computer software	-	8,536	-	8,536
Depreciation	-	2,600	-	2,600
Expert consortium	3,650	-	-	3,650
Golf tournament	-	-	15,272	15,272
Other Fundraising	-	-	3,962	3,962
Information DVD production	1,600	-	-	1,600
Patient registry	135,037	-	-	135,037
Patient support meetings	43,187	-	-	43,187
Printing and publication	9,719	-	-	9,719
Professional services	149,982	19,362	-	169,344
Other operating costs	-	4,883	-	4,883
Other program services	19,070	-	-	19,070
Website & database	16,049	-	-	16,049
Total expenses	<u>\$ 401,494</u>	<u>\$ 35,381</u>	<u>\$ 19,234</u>	<u>\$ 456,109</u>

See accompanying notes to the financial statements

Pachyonychia Congenita Fund
Statement of Cash Flows
For the Year Ended December 31, 2013

Operating activities	
Change in net assets	\$ 230,526
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	2,600
(Increase)/ decrease in due from related party	(471)
(Increase)/ decrease in unconditional promises to give	6,273
(Increase)/ decrease in prepaid expense	7,112
Increase/ (decrease) in accounts payable	9,311
Net cash from operating activities	<u>255,351</u>
 Investing activities	
Purchase of equipment	<u>(2,736)</u>
Net cash from investing activities	<u>(2,736)</u>
 Net increase in cash and cash equivalents	252,615
 Cash and cash equivalents as of beginning of year	<u>322,944</u>
 Cash and cash equivalents as of end of year	<u><u>\$ 575,559</u></u>
 Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

See accompanying notes to the financial statements

Pachyonychia Congenita Fund
Notes to Financial Statements
For the Year Ended December 31, 2013

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Pachyonychia Congenita Fund ("The Organization") is a patient support organization trying to find a cure for the Pachyonychia Congenita disease through research and drug development. The Organization provides a patient registry and is working with researchers to develop and deliver therapeutics to persons afflicted with this disease. The Organization is supported by donations from individuals and businesses, as well as grants received from governmental and private organizations. Approximately 46% of the Organization's support for the year ended December 31, 2013 came from contributions from the Executive Director, a portion of which represents donated services.

Contributions & Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Significant unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give in a given year are received from a broad base of the Organization's contributors. An allowance for uncollectable promises is provided based on management's evaluation of potential uncollectable promises receivable at year end.

Other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed Services

During the year ended December 31, 2013, the Organization received contributed services worth an estimated \$152,325. The Organization has recognized the full amount for revenues as well as program and supportive services as of December 31, 2013. Of this amount, \$120,000 resulted in donated time and service by the Executive Director, \$30,000 resulted from services rendered by physicians, and \$2,325 was comprised of services donated by legal, finance, and accounting professionals.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting. As of December 31, 2013, the Organization had no temporarily restricted assets and no permanently restricted assets.

Pachyonychia Congenita Fund
Notes to Financial Statements
For the Year Ended December 31, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash is comprised of cash on hand or on deposit in banks. The Organization had \$(659,018) at December 31, 2013. At December 31, 2013, the Organization had \$325,559 of uninsured bank balances.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over their estimated useful lives ranging from five to seven years using the declining balance method.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Note 2. Property and Equipment

The major categories of property and equipment are as follows:

Equipment	\$ 29,274
Accumulated Depreciation	(23,172)
Net	<u>\$ 6,102</u>

Depreciation expense for the year ended December 31, 2013 was \$2,600.

Pachyonychia Congenita Fund
Notes to Financial Statements
For the Year Ended December 31, 2013

Note 3. Promises to Give

Unconditional promises to give due in more than one year are recognized at fair value when the donor makes an unconditional promise to give to the Organization. As of December 31, 2013, the amount of unconditional promises to give was \$0.

Note 4. Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents and short-term unconditional promises to give: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Long-term unconditional promises to give: the fair value of significant promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

Note 5. Related Party Transactions

The Director of the Organization has contributed \$180,600 to the Organization as an unrestricted contribution for the year ended December 31, 2013. The Director of the Organization owns a building and provides space and utilities for the Organization on a charge free basis. As such, no rent expense has been recognized for the year ended December 31, 2013 as the amount would be inconsequential.

Note 6. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 7. Subsequent Events

The Organization has evaluated subsequent events through July 11, 2014, the date the financial statements were available to be issued, and has concluded that no recognized or nonrecognized subsequent events have occurred since the year ended December 31, 2013.