

CurePSP, Inc.

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
Years Ended June 30, 2018 and 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CurePSP, Inc.

We have audited the accompanying consolidated financial statements of CurePSP, Inc. (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CurePSP, Inc. as of June 30, 2018 and 2017, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 9, during the current year management determined that amounts previously classified as permanently restricted net assets that were in fact unrestricted (board designated). Management has reclassified the original contribution to unrestricted net assets and reallocated investment earnings based on the adjusted net asset balances for the years ended June 30, 2008 through June 30, 2016. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidated schedule of functional expenses, the consolidating statement of financial position, and the consolidating statement of activities on pages 17 - 19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Bethesda, Maryland
January 2, 2019

CurePSP, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,286,323	\$ 1,638,963
Cash and cash equivalents - temporarily restricted	751,777	734,996
Investments	-	23,714
Pledges receivable	1,650	4,650
Other receivables	12,728	22,920
Prepaid expenses	86,613	50,959
Inventory	<u>20,859</u>	<u>20,382</u>
Total current assets	<u>3,159,950</u>	<u>2,496,584</u>
Property and equipment, net	90,243	158,787
Investments - endowment	452,650	403,444
Deposits	<u>13,482</u>	<u>15,773</u>
Total assets	<u>\$ 3,716,325</u>	<u>\$ 3,074,588</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 119,986	\$ 112,391
Grants payable - current	418,996	304,040
Deferred revenue	<u>159,659</u>	<u>-</u>
Total current liabilities	698,641	416,431
Grants payable - non-current portion	<u>112,591</u>	<u>50,000</u>
Total liabilities	<u>811,232</u>	<u>466,431</u>
Net assets		
Unrestricted	2,062,060	1,844,255
Temporarily restricted	584,665	505,534
Permanently restricted	<u>258,368</u>	<u>258,368</u>
Total net assets	<u>2,905,093</u>	<u>2,608,157</u>
Total liabilities and net assets	<u>\$ 3,716,325</u>	<u>\$ 3,074,588</u>

The accompanying notes are an integral part of these consolidated financial statements.

CurePSP, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$ 2,203,932	\$ 252,515	\$ -	\$ 2,456,447
Special events, net	140,362	1,590	-	141,952
Research roundtable	90,341	-	-	90,341
Patient engagement	5,545	-	-	5,545
Sponsorships	25,500	69,970	-	95,470
Merchandise sales, net	1,931	-	-	1,931
Net realized and unrealized gains(losses)	6,906	15,798	-	22,704
Interest and dividends	5,288	7,548	-	12,836
Gain/(loss) on disposal	(3,503)	-	-	(3,503)
Miscellaneous income	<u>37,733</u>	<u>-</u>	<u>-</u>	<u>37,733</u>
Total revenue, gains and support	2,514,035	347,421	-	2,861,456
Net assets released from restrictions	<u>268,290</u>	<u>(268,290)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, support and releases	<u>2,782,325</u>	<u>79,131</u>	<u>-</u>	<u>2,861,456</u>
Expenses				
Program services				
Research	1,046,703	-	-	1,046,703
Outreach and education	514,095	-	-	514,095
Communications and awareness	250,844	-	-	250,844
Patient engagement	4,477	-	-	4,477
Supporting Services				
Management & general	294,383	-	-	294,383
Board	65,326	-	-	65,326
Fundraising	<u>388,692</u>	<u>-</u>	<u>-</u>	<u>388,692</u>
Total expenses	<u>2,564,520</u>	<u>-</u>	<u>-</u>	<u>2,564,520</u>
Change in net assets	217,805	79,131	-	296,936
Net assets, beginning of year	<u>1,844,255</u>	<u>505,534</u>	<u>258,368</u>	<u>2,608,157</u>
Net assets, end of year	<u>\$ 2,062,060</u>	<u>\$ 584,665</u>	<u>\$ 258,368</u>	<u>\$ 2,905,093</u>

The accompanying notes are an integral part of these consolidated financial statements.

CurePSP, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenue and support				
Contributions	\$2,175,725	\$ 219,065	\$ -	\$2,394,790
Special events, net	188,226	1,175	-	189,401
Patient engagement	17,630	-	-	17,630
Sponsorships	47,750	41,050	-	88,800
Merchandise sales, net	4,106	-	-	4,106
Net realized and unrealized gains/(losses), restated	8,164	26,245	-	34,409
Interest and dividends, restated	1,648	8,746	-	10,394
Gain/(loss) on disposal	(566)	-	-	(566)
Miscellaneous income	415	-	-	415
	<u>2,443,098</u>	<u>296,281</u>	<u>-</u>	<u>2,739,379</u>
Net assets released from restrictions	<u>357,123</u>	<u>(357,123)</u>	<u>-</u>	<u>-</u>
	<u>2,800,221</u>	<u>(60,842)</u>	<u>-</u>	<u>2,739,379</u>
Expenses				
Program services				
Research	741,950	-	-	741,950
Outreach and education	527,273	-	-	527,273
Communications and awareness	273,786	-	-	273,786
Patient engagement	17,040	-	-	17,040
Supporting services				
Management & general	263,479	-	-	263,479
Board	67,394	-	-	67,394
Fundraising	466,301	-	-	466,301
	<u>2,357,223</u>	<u>-</u>	<u>-</u>	<u>2,357,223</u>
Change in net assets	442,998	(60,842)	-	382,156
Net assets, beginning of year, restated	<u>1,401,257</u>	<u>566,376</u>	<u>258,368</u>	<u>2,226,001</u>
Net assets, end of year	<u>\$1,844,255</u>	<u>\$ 505,534</u>	<u>\$ 258,368</u>	<u>\$2,608,157</u>

The accompanying notes are an integral part of these consolidated financial statements.

CurePSP, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 296,936	\$ 382,156
Reconciling adjustments		
Depreciation and amortization	66,741	51,389
Loss on disposal of assets	3,503	641
Net realized and unrealized investment (gains)/losses	(22,477)	(34,409)
Changes in operating assets and liabilities:		
Pledges receivable	3,000	(800)
Other receivables	10,192	(9,816)
Inventory	(477)	(20,382)
Prepaid expenses	(35,654)	(16,105)
Deposits	2,291	-
Accounts payable and accrued expenses	7,595	(57,261)
Grants payable	177,547	(413,070)
Deferred revenue	<u>159,659</u>	<u>-</u>
Net cash used by operating activities	<u>668,856</u>	<u>(117,657)</u>
Cash flows from investing activities		
Acquisitions of property and equipment	(6,000)	(44,365)
Proceeds on sale of property and equipment	4,300	-
Purchases and sales of marketable securities, net	<u>(3,015)</u>	<u>(4,459)</u>
Net cash used by investing activities	<u>(4,715)</u>	<u>(48,824)</u>
Net decrease in cash and cash equivalents	664,141	(166,481)
Cash and cash equivalents, beginning of year	<u>2,373,959</u>	<u>2,540,440</u>
Cash and cash equivalents, end of year	<u>\$ 3,038,100</u>	<u>\$ 2,373,959</u>

The accompanying notes are an integral part of these consolidated financial statements.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

1. Organization

CurePSP, Inc. (CurePSP), formerly The Foundation for PSP | CBD and Related Brain Diseases, is a nonprofit organization formed to promote and fund research with the purpose of finding the cause and cure as well as treatment and prevention for progressive supranuclear palsy (PSP) and corticobasal degeneration (CBD) and other related diseases. CurePSP provides information, education, support and advocacy to persons with these disorders, their families, caregivers and the general public. The organization awards research grants to scientists and educates physicians and other health professionals on PSP and CBD, and other related diseases and how to improve patient care. A majority of the revenue and support CurePSP receives is from individual, corporate and foundation donors as well as from special events held throughout the year.

Patient Engagement Program, LLC

CurePSP formed Patient Engagement Program, LLC as a Maryland limited liability company which became fully operational in October 2015. Patient Engagement Program, LLC (PEP) is managed by CurePSP and was developed with the mission of partnering with pharmaceutical companies and contract research organizations to facilitate human clinical trials with the purpose of advancing science and bringing new drugs to the market for rare diseases. PEP offers educational programs, patient recruitment services, and development of in-print and online publications.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of CurePSP have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Principles of Consolidation

The consolidated financial statements include the accounts of CurePSP and Patient Engagement Program, LLC. All material intercompany transactions and accounts have been eliminated in consolidation which include an intercompany receivable (CurePSP) and payable (PEP) of \$278,898 and \$177,090 as of June 30, 2018 and 2017, respectively.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and support and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Income Taxes

CurePSP is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as a publicly supported organization. As such, it is exempt from federal income taxes on all but unrelated business income, if any. There was no net unrelated business income for the years ended June 30, 2018 and 2017.

Cash and Cash Equivalents

For purposes of the statements of cash flows, CurePSP considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at estimated fair values based on quoted market prices in active markets. Investment transactions are recorded on a trade-date basis. Investment income, including unrealized gains or losses, is reported in the statement of activities as non-operating increases or decreases in unrestricted net assets, unless otherwise restricted by the donor or law.

CurePSP has an investment account held specifically for its Endowment Fund, the principal and any related appreciation in value of which is permanently restricted to provide future earnings. Earnings include dividends and interest of the endowment fund and are used to support student related research. CurePSP's investment policy is approved by the Board of Directors and designated to an outside investment advisor. The endowment fund consists primarily of restricted cash and the investments as described in Note 4. There were no additional contributions to the Endowment Fund during the years ended June 30, 2018 and 2017.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions and unconditional promises to give are recorded as support, at fair value, when received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor as to the time or purpose are reported as an increase in temporarily restricted net assets. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions with restrictions that are met in the same reporting period are reported as unrestricted support.

In-Kind Contributions

CurePSP regularly receives non-cash donations from the public for its programs and activities. These in-kind donations are recognized as contributions in accordance with FASB ASC 958-605-15-2, *Revenue Recognition-Contributions Received*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

CurePSP often receives in-kind donations in the form of volunteers donating time for various administrative tasks; however, these services have not met the above stated criteria for the years ended June 30, 2018 and 2017, and accordingly, are not recognized as contributions on the consolidated financial statements.

Typically, CurePSP receives donations of marketable securities which it immediately converts to cash. For the years ended June 30, 2018 and 2017, stocks donated and converted to cash totaled \$108,966 and \$82,830, respectively.

Accounts and Pledges Receivable

Accounts and pledges receivable are reported at the amounts management expects to collect from outstanding balances. The difference between the amount due and the amount management expects to collect is reported in the statement of activities with an offsetting entry to a valuation allowance. All receivables at June 30, 2018 and 2017, are believed to be collectible and accordingly, management did not record a reserve allowance.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost if purchased and at estimated fair value at the date contributed, if applicable. All property and equipment in excess of \$500 are capitalized using the straight line method of depreciation over a period of 3 to 7 years. Expenditures for maintenance and repairs are charged to operations as incurred. Major renewals and betterments are capitalized. At the time property or equipment is retired or otherwise disposed of, the specified asset account and related accumulated depreciation or amortization accounts are relieved of the applicable amounts and any gain or loss is credited to income or charged to expense.

Net Assets

For financial statement purposes, net assets are as follows:

- Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.
- Temporarily restricted net assets include those net assets whose use by CurePSP has been donor restricted by specified time or purpose limitations. The organization's mission is awareness, education, care and cure of neurodegenerative diseases. As such, CurePSP participates in and supports various programs related to either research, outreach and education, and communications and public awareness around finding a cure for PSP and other atypical neurodegenerative diseases. Typically, temporarily restricted net assets are for net assets that are purpose restricted in that the donor stipulates a specific program for which CurePSP is to use the donated funds. Support that is restricted by the donor, by either time or purpose, is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.
- Permanently restricted net assets must be maintained in perpetuity by CurePSP and consists of an original contribution. Investment income earned on the permanently restricted net assets is used to fund student research and is classified as temporarily restricted.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

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

Subsequent Events

Management has evaluated subsequent events and transactions through January 2, 2019, the date which the financial statements were available to be issued. There were no subsequent events that require recognition of or disclosure in these financial statements.

3. Pledges Receivable

Pledges receivable represent promises to give from individuals, corporations and foundations. No discount was recorded as of June 30, 2018 and 2017 since all pledges are expected to be collected within one year and are deemed fully collectible.

	<u>2018</u>	<u>2017</u>
Pledges - Unrestricted	\$ -	\$ 2,500
Pledges - Restricted	<u>1,650</u>	<u>2,150</u>
Total pledges receivable	<u>\$ 1,650</u>	<u>\$ 4,650</u>

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

4. Investments

Investments consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Input Level</u>
Mutual Funds	\$ 398,763	\$ 372,260	1
Exchange Traded Funds	<u>53,887</u>	<u>54,898</u>	1
Total investments	<u>\$ 452,650</u>	<u>\$ 427,158</u>	

Investment return for the years ended June 30, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 12,836	\$ 10,394
Net realized and unrealized (losses) gains (net of investment fees of \$3,620 and \$3,270)	<u>22,704</u>	<u>34,409</u>
Net investment return	<u>\$ 35,540</u>	<u>\$ 44,803</u>

Investments are reported at fair value at year-end. See Note 8 for a discussion of fair value measurements. The investments are subject to market risks, and their values fluctuate daily. Due to the level of risk associated with investment securities, changes in the values of investment securities will occur in the near term, and such changes could materially affect CurePSP's consolidated financial position.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

5. Property and Equipment

Property and equipment as of June 30, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Website development	\$ 176,846	\$ 170,846
Software	5,819	56,111
Computers	12,070	38,298
Furniture & fixtures	<u>10,596</u>	<u>29,534</u>
	205,331	294,789
Less: accumulated depreciation and amortization	<u>(115,088)</u>	<u>(136,002)</u>
Property and equipment, net	<u>\$ 90,243</u>	<u>\$ 158,787</u>

Depreciation expense totaled \$66,741 and \$51,389 for the years ended June 30, 2018 and 2017, respectively.

6. Commitments and Contingencies

Leases

CurePSP entered into an operating lease agreement for office space and equipment for its offices in Baltimore, MD which commenced on October 1, 2010. Rent expense for this lease was \$44,637 and \$73,657 for the years ended June 30, 2018 and 2017, respectively.

During 2016, the majority of CurePSP staff transitioned to a new office location in New York City. Accordingly, CurePSP entered into an agreement to sublease 1,000 square feet of the Baltimore office effective September 1, 2016; expiring December 31, 2017, the expiration date of the prime lease. Subsequently, CurePSP entered into a lease agreement for office space in Lutherville, MD effective December 18, 2017; expiring December 31, 2019.

In addition, CurePSP entered into a lease agreement for a team room in New York effective October 1, 2018; expiring December 31, 2018 with a monthly rent of \$6,500 and a deposit of \$6,500.

Future minimum lease payments are as follows:

Year ending June 30, 2019	\$ 34,015
2020	<u>7,365</u>
	<u>\$ 41,380</u>

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

6. Commitments and Contingencies (continued)

CurePSP also pays for the use of office space in NY, NY on a month-to-month basis, with the original agreement effective April 1, 2016 and an agreement amendment for additional space effective June 6, 2016. Therefore, there are no future minimum lease payments for this location.

CurePSP leases office equipment with terms running through June 2021. Rental expenses for operating leases were \$7,951 and \$7,939 for the years ended June 30, 2018 and 2017, respectively. Minimum future non-cancelable lease payments for operating equipment are as follows:

Year ending June 30, 2019	\$ 6,918
2020	6,918
2021	<u>6,918</u>
	<u>\$ 20,754</u>

Grants Payable

As of June 30, 2018 and 2017, \$531,587 and \$354,040 in grants were payable to medical professionals to conduct research. During 2018 and 2017 no grant adjustment amounts were required.

7. Net Assets

The Board of Directors of CurePSP has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditures by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

7. Net Assets (continued)

CurePSP has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets.

In accordance with UPMIFA, CurePSP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of CurePSP and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CurePSP
- The investment policies of CurePSP

Temporarily restricted net assets consist of cash and pledges restricted by donors less grants payable associated with those assets. Permanently restricted net assets represent funds stipulated by the donor, the earnings of which are to be used for student research.

Restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Temporarily Restricted:		
Research	\$ 550,211	\$ 485,955
Respite Care	34,454	19,579
Total Temporarily Restricted	<u>\$ 584,665</u>	<u>\$ 505,534</u>
Permanently Restricted:		
Student Research	<u>\$ 258,368</u>	<u>\$ 258,368</u>

Board designated net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Board designated		
Genetics	\$ 60,023	\$ 60,023
Patient profile	7,299	40,000
Endowment	94,938	94,938
Reserves	600,000	600,000
Total	<u>\$ 762,260</u>	<u>\$ 794,961</u>

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

8. Fair Value Measurements

CurePSP records its investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

The fair value levels are as follows:

- Level 1: Inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that CurePSP has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Inputs that are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level of input that is significant to the fair value measurement in its entirety. CurePSP's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

All investments held by CurePSP at June 30, 2018 and 2017 are level 1 input.

CUREPSP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

9. Prior Period Adjustment

Management has determined that amounts previously classified as permanently restricted net assets that were in fact unrestricted (board designated). Management has reclassified the original contribution to unrestricted net assets and reallocated investment earnings based on the adjusted net asset balances for the years ended June 30, 2008 through June 30, 2016. Beginning net assets as of June 30, 2016 have been restated in these financial statements for the impact of these errors. The following table details the impact to beginning net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Previously reported net assets at June 30, 2016	\$ 1,311,400	\$ 542,483	\$ 372,118
Reclassification of board designated funds	50,000	-	(50,000)
Reclassification of investment income previously reported	39,857	23,893	(63,750)
Restated net assets at June 30, 2016	\$ 1,401,257	\$ 566,376	\$ 258,368

In addition, amounts reported in the 2017 statement of activities have been restated for the impact of this error. Management has reclassified \$31,326 of investment income out of permanently restricted net assets to temporarily restricted net assets and unrestricted net assets in the amounts of \$26,245 and \$5,081, respectively, for the year ended December 31, 2017.

SUPPLEMENTAL INFORMATION

CurePSP, Inc.
SUPPLEMENTAL CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services					Support Services			Total
	Research	Outreach & Education	Communications & Awareness	Patient Engagement	Total	Management & General	Board	Fundraising	
Salaries & labor	\$ 164,556	\$ 218,532	\$ 110,790	\$ -	\$ 493,878	\$ 153,964	\$ 26,529	\$ 114,518	\$ 788,889
Employee benefits & payroll taxes	21,311	28,301	14,348	-	63,960	19,939	3,436	14,831	102,166
Bank & payroll fees	3,620	-	-	-	3,620	3,856	-	14,718	22,194
Brain bank - tissue harvesting	-	-	-	-	-	-	-	-	-
Conferences/education	-	103,462	-	365	103,827	-	-	-	103,827
Consultants	-	-	56,653	-	56,653	-	-	-	56,653
Depreciation & amortization	7,271	25,228	24,284	-	56,783	1,582	-	6,832	65,197
Direct Mail	-	-	-	-	-	-	-	175,494	175,494
Dues, subscriptions	643	854	433	-	1,930	705	-	448	3,083
Equipment rental/small purchases	884	1,802	859	-	3,545	5,710	337	1,334	10,926
Insurance	2,544	3,378	1,713	1,764	9,399	2,790	-	1,770	13,959
Professional, accounting & audit fees	29,260	563	-	128	29,951	41,006	24,303	-	95,260
Corporate, plan giving, donor supplies	-	-	-	-	-	-	-	1,600	1,600
Marketing	-	49,800	1,889	448	52,137	447	-	-	52,584
Materials & supplies	3,921	5,207	2,640	1,560	13,328	4,300	-	2,728	20,356
Meeting & board expenses	783	783	783	-	2,349	-	7,512	-	9,861
Postage & shipping	2,185	2,902	1,471	-	6,558	2,397	-	1,521	10,476
Rent	22,159	30,777	15,487	-	68,423	32,495	2,673	16,967	120,558
Repairs & maintenance	76	403	178	-	657	2,507	-	398	3,562
Research grants/support	698,543	-	-	-	698,543	-	-	-	698,543
Research symposium	70,585	-	-	-	70,585	-	-	-	70,585
Respite fund	-	17,349	-	-	17,349	-	-	-	17,349
Staff development	3,404	4,520	2,292	-	10,216	3,185	-	2,918	16,319
State registrations	-	-	-	-	-	-	-	11,336	11,336
Support groups/peer orgs/vol. develop	-	3,300	-	-	3,300	-	-	-	3,300
Technology expenses	13,966	14,619	13,305	109	41,999	8,170	-	19,355	69,524
Telephone	253	1,331	589	-	2,173	7,782	506	1,316	11,777
Travel	724	905	464	(36)	2,057	251	-	530	2,838
Miscellaneous	-	-	-	-	-	2,834	-	-	2,834
Utilities	15	79	35	-	129	463	30	78	700
Website updates and maintenance	-	-	2,631	139	2,770	-	-	-	2,770
Total expenses	\$ 1,046,703	\$ 514,095	\$ 250,844	\$ 4,477	\$ 1,816,119	\$ 294,383	\$ 65,326	\$ 388,692	\$ 2,564,520

CurePSP, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	<u>CurePSP</u>	<u>PEP</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,203,261	\$ 83,062	\$ -	\$ 2,286,323
Cash and cash equivalents - temp restricted	751,777	-	-	751,777
Investments	-	-	-	-
Pledges receivable	1,650	-	-	1,650
Other receivables	12,728	-	-	12,728
Due from PEP	278,898	-	(278,898)	-
Prepaid expenses	86,613	-	-	86,613
Inventory	20,859	-	-	20,859
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	3,355,786	83,062	(278,898)	3,159,950
Property and equipment, net	90,243	-	-	90,243
Investments - endowment	452,650	-	-	452,650
Deposits	13,482	-	-	13,482
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,912,161</u>	<u>\$ 83,062</u>	<u>\$ (278,898)</u>	<u>\$ 3,716,325</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 119,986	\$ -	\$ -	\$ 119,986
Grants payable - current	418,996	-	-	418,996
Deferred revenue	159,659	-	-	159,659
Due to CurePSP	-	278,898	(278,898)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	698,641	278,898	(278,898)	698,641
Grants payable - non-current portion	112,591	-	-	112,591
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	811,232	278,898	(278,898)	811,232
Net assets				
Unrestricted	2,257,896	(195,836)	-	2,062,060
Temporarily restricted	584,665	-	-	584,665
Permanently restricted	258,368	-	-	258,368
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Total net assets	3,100,929	(195,836)	-	2,905,093
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 3,912,161</u>	<u>\$ 83,062</u>	<u>\$ (278,898)</u>	<u>\$ 3,716,325</u>

The accompanying notes are an integral part of these consolidated financial statements

CurePSP, Inc,
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Temporarily		Permanently		CurePSP	PEP	Eliminations	Total
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Restricted</u>				
Revenue and support								
Contributions	\$ 2,203,932	\$ 252,515	\$ -	\$ -	\$ 2,456,447	\$ -	\$ -	\$ 2,456,447
Special events, net	140,362	1,590	-	-	141,952	-	-	141,952
Research roundtable	90,341	-	-	-	90,341	-	-	90,341
Patient engagement	36,509	-	-	-	36,509	5,545	(36,509)	5,545
Sponsorships	25,500	69,970	-	-	95,470	-	-	95,470
Merchandise sales , net	1,931	-	-	-	1,931	-	-	1,931
Net realized and unrealized gains(losses)	6,906	15,798	-	-	22,704	-	-	22,704
Interest and dividends	5,288	7,548	-	-	12,836	-	-	12,836
Gain/(loss) on disposal	(3,503)	-	-	-	(3,503)	-	-	(3,503)
Miscellaneous income	37,733	-	-	-	37,733	-	-	37,733
Total revenue, gains and support	2,544,999	347,421	-	-	2,892,420	5,545	(36,509)	2,861,456
Net assets released from restrictions	268,290	(268,290)	-	-	-	-	-	-
Total revenue, gains, support and releases	2,813,289	79,131	-	-	2,892,420	5,545	(36,509)	2,861,456
Expenses								
Program services								
Research	1,046,703	-	-	-	1,046,703	-	-	1,046,703
Outreach and education	514,095	-	-	-	514,095	-	-	514,095
Communications and awareness	250,844	-	-	-	250,844	-	-	250,844
Patient engagement	-	-	-	-	-	40,986	(36,509)	4,477
Supporting services								
Management & general	294,383	-	-	-	294,383	-	-	294,383
Board	65,326	-	-	-	65,326	-	-	65,326
Fundraising	388,692	-	-	-	388,692	-	-	388,692
Total expenses	2,560,043	-	-	-	2,560,043	40,986	(36,509)	2,564,520
Change in net assets	253,246	79,131	-	-	332,377	(35,441)	-	296,936
Net assets, beginning of year	2,004,650	505,534	258,368	-	2,768,552	(160,395)	-	2,608,157
Net assets, end of year	\$ 2,257,896	\$ 584,665	\$ 258,368	-	\$ 3,100,929	\$ (195,836)	\$ -	\$ 2,905,093

The accompanying notes are an integral part of these consolidated financial statements