

Congenital Hyperinsulinism International

Financial Statements

December 31, 2019
(With Comparative Totals For 2018)



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Congenital Hyperinsulinism International
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December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Trustees of
Congenital Hyperinsulinism International
Glen Ridge, NJ 07028

Report on Financial Statements

We have audited the accompanying financial statements of Congenital Hyperinsulinism International (a nonprofit organization) ("CHI"), which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' 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 auditors' 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.

To the Board of Trustees of
Congenital Hyperinsulinism International

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 CHI as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the CHI's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP

Mt. Arlington, New Jersey
August 12, 2020

Congenital Hyperinsulinism International
Statement of Financial Position
December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 563,598 | \$ 559,833 |
| Accounts receivable | 5,637 | |
| Contributions receivable | 15,850 | 50,000 |
| Prepaid expenses | 2,753 | |
| Total current assets | <u>587,838</u> | <u>609,833</u> |
| Development costs, net | <u>5,278</u> | <u>8,611</u> |
| Total assets | <u>\$ 593,116</u> | <u>\$ 618,444</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 10,718</u> | <u>\$ 8,234</u> |
| Total current liabilities | <u>10,718</u> | <u>8,234</u> |
| Net Assets: | | |
| Without donor restrictions | 532,398 | 535,594 |
| With donor restrictions | <u>50,000</u> | <u>74,616</u> |
| Total net assets | <u>582,398</u> | <u>610,210</u> |
| Total liabilities and net assets | <u>\$ 593,116</u> | <u>\$ 618,444</u> |

See Notes to Financial Statements

Congenital Hyperinsulinism International
Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

| | 2019 | | | 2018 |
|---------------------------------------|-------------------------------|----------------------------|-------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Support and revenue: | | | | |
| Contributions | \$ 120,518 | | \$ 120,518 | \$ 124,058 |
| Special events, net | 121,634 | | 121,634 | 119,990 |
| Program income | 209,080 | \$ 15,000 | 224,080 | 110,485 |
| Other income | 457 | | 457 | 1,046 |
| Net assets released from restrictions | 39,616 | (39,616) | | |
| Total support and revenue | <u>491,305</u> | <u>(24,616)</u> | <u>466,689</u> | <u>355,579</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Awareness | 84,347 | | 84,347 | 81,303 |
| Support | 142,740 | | 142,740 | 110,549 |
| Research | 211,744 | | 211,744 | 141,668 |
| Total program services | <u>438,831</u> | | <u>438,831</u> | <u>333,520</u> |
| Supporting services: | | | | |
| Management and general | 24,845 | | 24,845 | 23,654 |
| Fundraising | 30,825 | | 30,825 | 24,877 |
| Total supporting services | <u>55,670</u> | | <u>55,670</u> | <u>48,531</u> |
| Total expenses | <u>494,501</u> | | <u>494,501</u> | <u>382,051</u> |
| Change in net assets | <u>(3,196)</u> | <u>(24,616)</u> | <u>(27,812)</u> | <u>(26,472)</u> |
| Net assets, beginning of year | <u>535,594</u> | <u>\$ 74,616</u> | <u>610,210</u> | <u>636,682</u> |
| Net assets, end of year | <u>\$ 532,398</u> | <u>\$ 50,000</u> | <u>\$ 582,398</u> | <u>\$ 610,210</u> |

See Notes to Financial Statements

Congenital Hyperinsulinism International
Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

| | Program Services | | | | Supporting Services | | | 2019 | 2018 |
|-------------------------------------|------------------|-------------------|-------------------|-------------------|------------------------|------------------|------------------|-------------------|-------------------|
| | Awareness | Support | Research | Total | Management and General | Fundraising | Total | | |
| Salaries | \$ 31,610 | \$ 31,610 | \$ 87,094 | \$ 150,314 | \$ 10,412 | \$ 14,160 | \$ 24,572 | \$ 174,886 | \$ 164,419 |
| Payroll taxes and benefits | 2,757 | 2,757 | 7,597 | 13,111 | 923 | 1,220 | 2,143 | 15,254 | 14,458 |
| Total salaries and related benefits | <u>34,367</u> | <u>34,367</u> | <u>94,691</u> | <u>163,425</u> | <u>11,335</u> | <u>15,380</u> | <u>26,715</u> | <u>190,140</u> | <u>178,877</u> |
| Grants and awards | | 60,740 | 76,281 | 137,021 | | | | 137,021 | 74,681 |
| Conferences and meetings | 33,079 | 33,079 | 16,540 | 82,698 | | | | 82,698 | 44,445 |
| Telecommunications and technology | 8,606 | 8,606 | 8,609 | 25,821 | 1,743 | 9,518 | 11,261 | 37,082 | 35,687 |
| Professional fees | 1,024 | 1,024 | 1,024 | 3,072 | 10,173 | 3,072 | 13,245 | 16,317 | 16,042 |
| Travel | 1,384 | 1,385 | 1,385 | 4,154 | | | | 4,154 | 8,705 |
| Program costs and materials | 1,550 | | 6,000 | 7,550 | | | | 7,550 | 7,752 |
| Occupancy | 1,991 | 1,991 | 1,991 | 5,973 | 657 | 892 | 1,549 | 7,522 | 5,400 |
| Insurance | 53 | 53 | 117 | 223 | 59 | 64 | 123 | 346 | 2,595 |
| Printing and postage | 1,064 | 266 | 266 | 1,596 | 532 | 532 | 1,064 | 2,660 | 2,258 |
| Office supplies and expense | 221 | 221 | 500 | 942 | 235 | 255 | 490 | 1,432 | 1,967 |
| Dues and subscriptions | 674 | 674 | 674 | 2,022 | 111 | 112 | 223 | 2,245 | 1,142 |
| Bank and merchant fees | 334 | 334 | 333 | 1,001 | | 1,000 | 1,000 | 2,001 | 1,111 |
| Total expenses before amortization | <u>84,347</u> | <u>142,740</u> | <u>208,411</u> | <u>435,498</u> | <u>24,845</u> | <u>30,825</u> | <u>55,670</u> | <u>491,168</u> | <u>380,662</u> |
| Amortization expense | | | 3,333 | 3,333 | | | | 3,333 | 1,389 |
| Total expense | <u>\$ 84,347</u> | <u>\$ 142,740</u> | <u>\$ 211,744</u> | <u>\$ 438,831</u> | <u>\$ 24,845</u> | <u>\$ 30,825</u> | <u>\$ 55,670</u> | <u>\$ 494,501</u> | <u>\$ 382,051</u> |

See Notes to Financial Statements

Congenital Hyperinsulinism International
Statement of Cash Flows
December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (27,812) | \$ (26,472) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Amortization | 3,333 | 1,389 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (5,637) | |
| Contributions receivable | 34,150 | (1,975) |
| Prepaid expenses | (2,753) | |
| Accounts payable and accrued expenses | 2,484 | (8,266) |
| Net cash provided by (used in) operating activities | <u>3,765</u> | <u>(35,324)</u> |
| Increase (decrease) in cash | 3,765 | (35,324) |
| Cash, beginning of year | <u>559,833</u> | <u>595,157</u> |
| Cash, end of year | <u>\$ 563,598</u> | <u>\$ 559,833</u> |

See Notes to Financial Statements

1. Nature of Activities

Congenital Hyperinsulinism International (“CHI”) is a nonprofit 501(c)(3) corporation dedicated to improving the lives of babies, children, and adults affected by congenital hyperinsulinism (HI). CHI is a life-threatening genetic disorder that causes severe low blood sugar (hypoglycemia) in infants and children. For those with HI, the beta cells of the pancreas secrete too much insulin in an unregulated manner. Excess insulin causes hypoglycemia. Prolonged or severe hypoglycemia can cause seizures, permanent brain damage, or even death, if left untreated. Good prognosis requires timely diagnosis.

CHI increases awareness of HI to improve timely diagnosis, among the public and medical personnel who have a direct opportunity to detect it, to decrease adverse neurological outcomes and death. To that end, CHI spreads awareness of HI with ongoing campaigns on social media, the CHI website and blog, CHI posters in 21 languages, CHI brochures, through direct mail and email, and at meetings and conferences. CHI provides educational resources and holds conferences and meetings on HI for patients, families, medical professionals, school personnel, and rare disease industry members.

CHI supports research and development to better understand, treat, manage and hopefully cure HI. CHI shares the patient perspective with researchers and members of the biopharmaceutical industry to accelerate the development of patient-centered treatments. CHI is a part of the Million Dollar Bike Ride grant program with the University of Pennsylvania’s Center for Orphan Diseases; a pilot research grant is offered each year for an innovative, preclinical or clinical study with the potential to lead to a better HI treatment, a cure for HI, or improvement in the quality of life for those affected by HI. CHI also administers a one-time hyperinsulinism hyperammonemia (HIHA) pilot grant for an innovative, preclinical study that has the potential to lead to a better HIHA treatment, a cure for HIHA, or improved quality of life to those affected by HIHA.

CHI conducts the HI Global Registry (HIGR) research project. HIGR provides a convenient online platform for the HI patient community to share their experiences of living with HI. By participating in the HI Global Registry, the patient community helps themselves and researchers better understand HI to advance better treatments, a potential cure, and more timely and accurate diagnoses.

CHI advocates on behalf of HI families all over the world for access to quality treatment, medication, and supplies. CHI provides opportunities for affected families to emotionally support each other because the home care medical management of HI is often complicated and difficult. CHI offers online forums, and CHI staff and volunteers are available by telephone and in-person for support. CHI establishes funds at hospitals to support families from out of town who must travel to centers of excellence for patient care. CHI covers the cost of genetic testing for HI for any patient suspected of having the disease who otherwise cannot afford genetic testing. The testing is conducted by a leading genetics lab at the University of Exeter in the UK.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by CHI in the preparation of the accompanying financial statements is set forth below:

Accounting Method

The financial statements of CHI are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

CHI prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made*, and *Presentation of Financial Statements of Not-for-Profit Entities*. *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how CHI manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires CHI to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions are resources representing the portion of expendable funds available for support of CHI's programs and activities. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees.

Net Assets with Donor Restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CHI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. CHI had net assets with donor restrictions of \$50,000 and 74,616 at December 31, 2019 and 2018, respectively.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance, Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. CHI adopted ASC 606, as amended with a date of the initial application of January 1, 2019 as management believes the standard improves the usefulness and understandability of CHI’s financial reporting.

CHI has applied ASC 606 using the modified retrospective method, with no effect to the opening balance of net assets at January 1, 2019. Because CHI’s primary source of revenue is from programs to research and promote, which is recognized after the service has been performed, there is no impact on the opening net asset balance. Analysis of various provisions of this standard resulted in no significant changes in the way CHI recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

As part of the adoption of ASC 606, CHI elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Management has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Congenital Hyperinsulinism International
Notes to Financial Statements
December 31, 2019 and 2018

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the impact of the adoption of this guidance on CHI's financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the accounting for costs to implement a cloud computing arrangement that is a service with the guidance on capitalizing costs for developing or obtaining internal-use software. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the impact of the adoption of this guidance on CHI's financial statements.

Revenue and Support Recognition

CHI recognizes revenue from program income when the services are provided. The performance obligation consists of hosting annual meetings and global conferences to spread awareness of congenital hyperinsulinism and provide resources to those affected in the form of program income. CHI records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

CHI recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been substantially met.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Performance obligations satisfied at a point in time | <u>\$ 224,537</u> | <u>\$ 111,531</u> |

Revenue from performance obligations satisfied at a point in time is related to awareness raising services in the form of program income.

Accounts and Contributions Receivable and Provision for Uncollectible Accounts

Accounts and contributions receivable are stated at amounts management expects to collect from outstanding balances.

Congenital Hyperinsulinism International
Notes to Financial Statements
December 31, 2019 and 2018

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for uncollectible accounts established as of December 31, 2019 and 2018, as management deemed all contributions receivable to be collectible as of the date of the financial statements.

Development Costs

In accordance with FASB ASC, *Intangibles - Goodwill and Other - Internal-Use Software*, internal and external costs incurred during the application development stage to develop computer software solely to meet CHI's internal needs are capitalized. Costs incurred during the preliminary project stage and post-implementation/operation stage are expensed as incurred. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software.

Income Taxes

CHI is an organization described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxes under Section 501(a) of the Code. CHI is also exempt under similar various state tax provisions. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements. CHI follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

CHI does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2019. However, CHI is subject to regular audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination. CHI believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. As required by law, CHI files informational returns with the United States federal and various state jurisdictions on an annual basis. These returns are subject to examination by these authorities within certain statutorily defined periods established by the respective jurisdictions.

Fundraising Expense – Special Events

It is CHI's policy to net direct fundraising expense related to special events with special event revenue. Direct fundraising expense for the years ended December 31, 2019 and 2018 was \$46,223 and \$40,393, respectively.

Fair Value Measurements

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

The carrying amounts of *cash, accounts receivable, contributions receivable, prepaid expenses, and accounts payable and accrued expenses* approximate fair value because of the short-term maturity of these instruments.

Contributed Services

CHI recognizes contributed services at their fair value if the services have value to CHI and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. If these criteria are met, the related amounts are reported as both in-kind contribution revenue and expense in the statement of activities. Volunteers (including the Board of Trustees) make significant contributions of time relative to general management and operations of CHI. The value of this contributed time is not reflected in these financial statements since it does not meet criteria for recognition under U.S. generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Expenses are charged to programs based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated based on estimates made by management. Program costs are those related to awareness, support and research.

Management and general expenses relate to administrative expenses associated with those programs and are allocated based on salary costs, infrastructure costs, and other methods considered by management to be reasonable. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits, occupancy, professional fees, office supplies and expense, telephone and technology, travel, insurance, dues and subscriptions, and bank and merchant fees, which are allocated on the basis of estimates of time, effort and usage. Program costs and materials are allocated on a direct program basis.

Congenital Hyperinsulinism International
Notes to Financial Statements
December 31, 2019 and 2018

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 amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that CHI's estimates may change in the near term.

3. Development Costs

CHI has intangible assets comprised of development costs totaling \$10,000 for the Natural Histories Patient Registry Platform known as the IAMRARE Registry Platform, managed by the National Organization for Rare Disorders (NORD). CHI is the sponsor of the HI Global Registry which sits on the IAMRARE Registry Platform. The purpose of the HI Global Registry is to collect patient-reported data to better define the natural progression of congenital hyperinsulinism to drive new research for better treatments and a cure. Amortization expense for the years ended December 31, 2019 and 2018 amounted to \$3,333 and \$1,389, respectively.

Amortization in future years are as follows:

| <u>Year Ending</u> <u>December 31,</u> | |
|---|----------|
| 2020 | \$ 3,333 |
| 2021 | 1,945 |

4. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of net assets restricted for an HIHA pilot grant and a grant from Global Genes for the Centers of Excellence Program at December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Congenital Hyperinsulinism/Hyperammonemia | \$ 35,000 | \$ 74,616 |
| Centers of Excellence Program | 15,000 | |
| | <u>\$ 50,000</u> | <u>\$ 74,616</u> |

The sources of net assets released from donor restrictions by incurring expenses that satisfy the specified purpose restrictions placed by donors during the year ended December 31, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|-------------|
| Congenital Hyperinsulinism/Hyperammonemia | \$ 39,616 | |
| | <u>\$ 39,616</u> | <u>\$ -</u> |

Congenital Hyperinsulinism International
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5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are comprised of the following:

| | <u>2019</u> |
|--|-------------------|
| Financial assets: | |
| Cash | \$ 563,598 |
| Contributions receivable | 15,850 |
| Accounts receivable | <u>5,637</u> |
| Total financial assets | 585,085 |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Restricted by donor for Congenital Hyperinsulinism/Hyperammonemia | (35,000) |
| Restricted by donor for Global Genes Center of Excellence Program | <u>(15,000)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 535,085</u> |

CHI has financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$90,000. CHI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

6. Operating Lease

Beginning in April 2018, CHI rents office space on a month to month basis. Rent expense for the years ended December 31, 2019 and 2018 amounted to \$7,522 and \$5,400, respectively.

7. Concentrations of Credit Risk and Funding Sources

CHI deposits its cash in accounts with major banking institutions. At times, such amounts may be in excess of FDIC insurance limits. Management believes that CHI has no significant risk of loss on these accounts due to the failure of the institutions. As reflected in the Statement of Activities, CHI receives substantial support from fundraising and contributions from individuals, corporations and foundations.

Although no funding source is guaranteed, CHI believes that based upon past history and the continued monitoring of the diverse funding sources by management there is not a significant risk to the agency's funding streams in total.

8. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2019 through the date of the independent auditor's report and the date the financial statements were available to be issued, August 12, 2020.

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The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure. However, the COVID-19 coronavirus outbreak has caused business disruption through government mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, CHI expects this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, CHI was approved and received funding in the amount of \$35,775 under the Paycheck Protection Program. Certain amounts will be forgiven if CHI utilizes these funds in accordance with guidelines outlined under the program. Management is currently evaluating the use of these funds; therefore, the related financial impact and potential amount expected to be repaid cannot be reasonably estimated at this time.