AUDITED FINANCIAL STATEMENTS

US PAIN FOUNDATION, INC.

Middletown, Connecticut

DECEMBER 31, 2019

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
US Pain Foundation, Inc.
Middletown, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of US Pain Foundation, Inc. (a nonprofit corporation), 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of US Pain Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
April 30, 2020

US PAIN FOUNDATION, INC.
Statement of Financial Position
December 31, 2019

Assets

Current assets		
Cash	$	620,069
Grants and donor commitments receivable		13,029
Prepaid and other		13,432
Total current assets		646,530
Furniture and equipment, net		4,217
Note receivable, net		17,250
Total assets	$	667,997

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	$	33,381
Total current liabilities		33,381
Net assets		
Net assets without donor restrictions		199,076
Net assets with donor restrictions		435,540
Total net assets		634,616
Total liabilities and net assets	$	667,997

US PAIN FOUNDATION, INC.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Grants and contributions	$ 847,077	$ 435,540	$ 1,282,617
Fundraising	19,073		19,073
Other	7,258		7,258
Net assets released from restrictions:			
Satisfaction of purpose restrictions	443,835	(443,835)	
Total support and revenue	1,317,243	(8,295)	1,308,948
Expenses			
Program	875,377		875,377
General and administrative	338,797		338,797
Total expenses	1,214,174		1,214,174
Change in net assets before non-operating costs	103,069	(8,295)	94,774
Non-operating income			
Interest	9,546		9,546
Bad debt recovery	10,583		10,583
Penalties refund and abatement	96,903		96,903
Total non-operating income	117,032		117,032
Change in net assets	220,101	(8,295)	211,806
Net assets - beginning of year	(21,025)	443,835	422,810
Net assets - end of year	$ 199,076	$ 435,540	$ 634,616

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

US PAIN FOUNDATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program	General and Administrative	Total
Program Costs and Services			
Program and event	$ 391,857		$ 391,857
Business and program sponsorships	17,475		17,475
General and Administrative			
Payroll	339,836	$ 113,351	453,187
Payroll taxes	25,702	8,572	34,274
Professional services			
Legal services	1,406	74,392	75,798
Accounting and audit services		35,888	35,888
Contracted services	20,567	961	21,528
Consultants	77,033	10,212	87,245
Occupancy		31,059	31,059
Operations		15,069	15,069
Insurance	1,501	21,807	23,308
Marketing		8,534	8,534
Licenses and registrations		14,843	14,843
Administrative travel		1,374	1,374
Banking and finance fees		1,684	1,684
Depreciation		990	990
Other expense		61	61
Total expenses	$ 875,377	$ 338,797	$ 1,214,174

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

US PAIN FOUNDATION, INC.
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities		
Change in net assets	$	211,806
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		990
Changes in:		
Grants and donor commitments receivable		137,646
Prepaid and other		37,970
Accounts payable and accrued expenses		(433,569)
Escrow reserve		210,974
Net cash provided by operating activities		165,817
Net increase in cash		165,817
Cash - beginning of year		454,252
Cash - end of year	$	620,069

US PAIN FOUNDATION, INC.

Notes to Financial Statements
December 31, 2019

1. <u>Summary of Significant Accounting Policies</u>

Nature of Business: US Pain Foundation, Inc. ("USPF") is a nonprofit organization that empowers, educates, connects, and advocates for individuals living with chronic illnesses that cause pain, as well as their caregivers and clinicians. Its multiple programs enhance quality of life for people with pain, improve patient outcomes, address access and affordability issues, and increase public awareness and empathy for the issue of pain.

Tax Exempt Status: USPF was granted tax exempt status from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). USPF is also exempt from state income taxes. Donors may deduct contributions made to USPF within the IRC requirements.

Accounting Method: The financial statements of USPF are prepared on the accrual basis.

Basis of Presentation: USPF presents its financial statements according to two classes of net assets: those with donor restrictions and those without donor restrictions. Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. The restrictions are temporary in nature and will be met by actions of USPF. All other net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of USPF.

Receivables and Allowance for Doubtful Accounts: Grants and donor commitments receivable are recorded at their net present value when unconditionally committed. An allowance for potentially uncollectible grants and contributions is provided based upon management's assessment of potential defaults, which includes such factors as collection history. There was no allowance recorded as of December 31, 2019.

Furniture and Equipment: The cost of furniture and equipment is capitalized when the value exceeds $1,000 per asset. Expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the assets from 3 to 7 years.

Use of Estimates: The preparation of financial statements in accordance 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.

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition: Grants, donor commitments, and donor contributions are recorded as revenue when received or unconditionally committed. Grants, donor commitments and contributions received with restrictions are recorded as revenue and net assets with donor restrictions when received or unconditionally committed. Transfers are made to net assets without restrictions as costs are incurred to satisfy program restrictions or time restrictions have lapsed. Program service fees and all other revenues are recorded as earned.

Allocation of Expenses: Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based on management's estimate of the percentage attributable to each function based on employee time.

Fair Value Measurements: USPF follows the *Fair Value Measurement and Disclosures* standards. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. USPF values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Accounting Pronouncement Adopted: On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification and deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. USPF has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Advertising: Advertising and promotional costs are expensed as incurred.

2. Furniture and Equipment

Furniture and equipment consisted of the following at December 31, 2019:

Furniture and equipment	$ 9,418
Less accumulated depreciation	5,201
Total property and equipment	$ 4,217

Depreciation expense was $990 for 2019.

3. Net Assets

Net Assets Without Donor Restrictions: Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by USPF.

Net Assets with Donor Restrictions: Net assets with donor restrictions include funds designated for specific programs or restricted by the passage of time by donors. These amounts are recorded as net assets with donor restrictions until they are expended for their designated purposes or as the time restrictions expire.

4. Lease Agreements

USPF has an operating lease for space which runs through February 28, 2020. The monthly lease payments are $2,100. Total rent expense was $27,451 for 2019 and is included in occupancy in the accompanying statement of functional expenses. Future minimum lease payments under this lease are $4,200 for 2020.

5. Previously Reported Cash Escrow and Reserve

In December 2018 and March 2019, USPF received two checks, totaling $210,974, representing unutilized funds from a two-year prescription assistance program for individuals with cancer pain. The program was administered on behalf of USPF by a third-party vendor. The program ended in December 2018, and the remaining unrestricted funds were placed in an escrow account. Since then, it has been determined that the funds may be used for charitable purposes consistent with the tax-exempt purpose of USPF in assisting people living with chronic pain. Going forward these funds will be allocated for such purposes. The escrow reserve of $210,974 was reversed in 2019 and the unrestricted funds were recorded as unrestricted grant revenue. None of these funds have been expended as of April 30, 2020.

6. Related Party Transactions

USPF entered into a security agreement and promissory note with a company owned by the brothers of the former president in the amount of $100,000. The note was due February 2018. USPF has contracted with an attorney to assist in the collection of the note. Payments of $60,000 were received in 2019. The amount of $17,250 reflected on the balance sheet as note receivable, net is the $40,000 remaining due on the note less a bad debt reserve.

The daughter-in-law of a member of the board was paid wages in the amount of $76,700 in 2019.

USPF rents its main office from the father in law of an employee. Rent of $27,300 was paid in 2019.

7. Available Resources and Liquidity

USPF had $33,381 of accounts payable and accrued liabilities at December 31, 2019. Financial assets available within one year of the statement of financial position date to meet cash needs consist of cash of $620,069, a note receivable of $17,250, and grants and donor commitments receivable of $13,029.

None of the financial assets listed above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date.

USPF has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of "normal" operating expenses.

8. Subsequent Events

Management has evaluated subsequent events after the statement of financial position date of December 31, 2019, through April 30, 2020, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.

In early March 2020, there was a global outbreak of the COVID-19 virus that has resulted in significant changes in the global economy. While USPF has not experienced any disruptions to its business operations to date, these changes, including a potential economic downturn, and any potential resulting direct or indirect negative impact to the company cannot be determined, however they could have a prospective material impact on USPF's business, cash flows and liquidity.

USPF received a Payroll Protection Program Loan for $92,805 on April 29, 2020.