



Dystrophic Epidermolysis Bullosa

Research Association of America, Inc.

Financial Statements with Independent Auditor's Report

December 31, 2020 and 2019

Dystrophic Epidermolysis Bullosa
Research Association of America, Inc.

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Dystrophic Epidermolysis Bullosa
Research Association of America, Inc.

We have audited the accompanying financial statements of Dystrophic Epidermolysis Bullosa Research Association of America, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 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 financial statements are free of 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or errors. 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, financial statements referred to above present fairly, in all material respects the financial position of Dystrophic Epidermolysis Bullosa Research Association of America, Inc. as of December 31, 2020 and 2019, and the 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.

Nanavaty, Davenport, Studley & White, LLP

March 15, 2021

Statements of Financial Postion

At December 31,

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 651,965 | \$ 972,811 |
| Investments | 1,083,049 | 914,792 |
| Accounts receivable | 527,541 | 5,360 |
| Inventory medical supplies | 648,724 | 467,518 |
| Prepaid expenses | 58,958 | 38,570 |
| Equipment, net | 6,248 | 8,029 |
| Total Assets | <u>\$ 2,976,485</u> | <u>\$ 2,407,080</u> |
| <u>Liabilities and Net Assets</u> | | |
| <u>Liabilities:</u> | | |
| Accounts payable | \$ 9,270 | \$ 36,170 |
| Accrued expenses | 312,314 | 177,901 |
| Agency funds held for others | - | 97,611 |
| Total Liabilities | <u>321,584</u> | <u>311,682</u> |
| <u>Net Assets:</u> | | |
| Net assets without donor restrictions | 2,107,054 | 1,283,751 |
| Net assets with donor restrictions | 547,847 | 811,647 |
| Total Net Assets | <u>2,654,901</u> | <u>2,095,398</u> |
| Total Liabilities and Net Assets | <u>\$ 2,976,485</u> | <u>\$ 2,407,080</u> |

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

Statements of Financial Position

For the Years Ended December 31,

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Net Assets without Donor Restrictions | | |
| Revenues and Other Support: | | |
| Special events - revenue | \$ 1,032,492 | \$ 1,207,436 |
| - expenses | (99,635) | (357,053) |
| - net | <u>932,857</u> | <u>850,383</u> |
| Contributions and grants | 936,305 | 690,271 |
| In-kind revenue | 495,605 | 1,080,786 |
| Investment return, net | 139,735 | 4,584 |
| Other | <u>5,640</u> | <u>2,586</u> |
| Total Unrestricted Revenues and Other Support | 2,510,142 | 2,628,610 |
| Net Assets Released from Restrictions | <u>263,800</u> | <u>9,694</u> |
| Total Revenues and Other Support | <u>2,773,942</u> | <u>2,638,304</u> |
| Expenses: | | |
| Program Services | 1,749,213 | 2,443,513 |
| Management and general | 67,140 | 71,925 |
| Fund raising | <u>134,286</u> | <u>143,850</u> |
| Total Expenses | <u>1,950,639</u> | <u>2,659,288</u> |
| Change in Net Assets without Donor Restrictions | <u>823,303</u> | <u>(20,984)</u> |
| Net Assets with donor restrictions: | | |
| Contributions | - | 7,216 |
| Net assets released from restrictions | <u>(263,800)</u> | <u>(9,694)</u> |
| Change in Net Assets with Donor Restrictions | <u>(263,800)</u> | <u>(2,478)</u> |
| Change in Net Assets | <u>559,503</u> | <u>(23,462)</u> |
| Net Assets, January 1, | <u>2,095,398</u> | <u>2,118,860</u> |
| Net Assets, December 31, | <u>\$ 2,654,901</u> | <u>\$ 2,095,398</u> |

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

Statements of Cash Flows

For the Years Ended December 31,

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 559,503 | \$ (23,462) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Add: Depreciation | 2,968 | 380 |
| Net realized and unrealized (gain) on investments | (139,359) | (244,834) |
| Change in donated inventory | (181,206) | 111,660 |
| | <u>241,906</u> | <u>(156,256)</u> |
| Changes in assets and liabilities: | | |
| (Increase) in: | | |
| Accounts receivable | (522,181) | (317) |
| Prepaid expense | (20,388) | (29,763) |
| | <u>(542,569)</u> | <u>(30,080)</u> |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 107,513 | 32,041 |
| Agency funds held for others | (97,611) | - |
| | <u>9,902</u> | <u>32,041</u> |
| Net cash used in operating activities | <u>(290,761)</u> | <u>(154,295)</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of investments | (28,898) | |
| Purchase of fixed assets | (1,187) | (8,409) |
| Net cash used in investing activities | <u>(30,085)</u> | <u>(8,409)</u> |
| Net decrease in cash and cash equivalents | (320,846) | (162,704) |
| Cash and cash equivalents at beginning of year | <u>972,811</u> | <u>1,135,515</u> |
| Cash and cash equivalents at end of year | <u>\$ 651,965</u> | <u>\$ 972,811</u> |

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

Dystrophic Epidermolysis Bullosa Research Association of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2020

| | PROGRAM SERVICES | | | | | SUPPORT SERVICES | | | Total Expenses |
|--------------------------|-----------------------------------|-----------------------------|------------------|-------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | Public and Professional Education | Patient and Family Services | Advocacy | Research | Total | Management and General | Fund Raising | Total | |
| Salaries | \$ 170,413 | \$ 443,074 | \$ 25,562 | \$ 85,206 | \$ 724,255 | \$ 42,603 | \$ 85,206 | \$ 127,809 | \$ 852,064 |
| Payroll taxes | 13,754 | 35,760 | 2,063 | 6,877 | 58,454 | 3,438 | 6,877 | 10,315 | 68,769 |
| Fringe benefits | 20,025 | 52,066 | 3,004 | 10,013 | 85,108 | 5,006 | 10,013 | 15,019 | 100,127 |
| Professional fees | 1,660 | 4,316 | 249 | 830 | 7,055 | 415 | 830 | 1,245 | 8,300 |
| Telephone | 3,493 | 9,081 | 524 | 1,746 | 14,844 | 873 | 1,746 | 2,619 | 17,463 |
| Office supplies | 8,637 | 22,457 | 1,296 | 4,319 | 36,709 | 2,159 | 4,319 | 6,478 | 43,187 |
| Insurance | 4,657 | 12,107 | 698 | 2,328 | 19,790 | 1,164 | 2,328 | 3,492 | 23,282 |
| Postage | 57 | 148 | 9 | 28 | 242 | 14 | 28 | 42 | 284 |
| Travel | 3,832 | 9,964 | 575 | 1,916 | 16,287 | 958 | 1,916 | 2,874 | 19,161 |
| Printing | 3,087 | 8,026 | 463 | 1,543 | 13,119 | 772 | 1,543 | 2,315 | 15,434 |
| Assistance | - | 317,354 | - | - | 317,354 | - | - | - | 317,354 |
| Dues and subscriptions | 661 | 1,719 | 99 | 331 | 2,810 | 165 | 331 | 496 | 3,306 |
| Fees | 407 | 1,057 | 61 | 203 | 1,728 | 102 | 203 | 305 | 2,033 |
| In-kind services | 6,253 | 16,257 | 938 | 3,126 | 26,574 | 1,563 | 3,126 | 4,689 | 31,263 |
| In-kind medical supplies | - | 290,416 | - | - | 290,416 | - | - | - | 290,416 |
| Advertising | 2,035 | 5,290 | 305 | 1,017 | 8,647 | 509 | 1,017 | 1,526 | 10,173 |
| Bank charges | 3,033 | 7,887 | 455 | 1,517 | 12,892 | 758 | 1,517 | 2,275 | 15,167 |
| Conferences/meetings | 2,870 | 7,462 | 431 | 1,435 | 12,198 | 718 | 1,435 | 2,153 | 14,351 |
| Equipment | 2,162 | 5,620 | 324 | 1,081 | 9,187 | 540 | 1,081 | 1,621 | 10,808 |
| Depreciation expense | 594 | 1,543 | 89 | 297 | 2,523 | 148 | 297 | 445 | 2,968 |
| Miscellaneous | 161 | 418 | 24 | 80 | 683 | 40 | 80 | 120 | 803 |
| Rent | 20,785 | 54,042 | 3,118 | 10,393 | 88,338 | 5,195 | 10,393 | 15,588 | 103,926 |
| Total Expenses | <u>\$ 268,576</u> | <u>\$ 1,306,064</u> | <u>\$ 40,287</u> | <u>\$ 134,286</u> | <u>\$ 1,749,213</u> | <u>\$ 67,140</u> | <u>\$ 134,286</u> | <u>\$ 201,426</u> | <u>\$ 1,950,639</u> |

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

Dystrophic Epidermolysis Bullosa Research Association of America, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2019

| | PROGRAM SERVICES | | | | | SUPPORT SERVICES | | | Total Expenses |
|--------------------------|-----------------------------------|-----------------------------|------------------|-------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | Public and Professional Education | Patient and Family Services | Advocacy | Research | Total | Management and General | Fund Raising | Total | |
| Salaries | \$ 154,556 | \$ 401,845 | \$ 23,183 | \$ 77,278 | \$ 656,862 | \$ 38,639 | \$ 77,278 | \$ 115,917 | \$ 772,779 |
| Payroll taxes | 13,229 | 34,396 | 1,984 | 6,615 | 56,224 | 3,307 | 6,615 | 9,922 | 66,146 |
| Fringe benefits | 21,361 | 55,538 | 3,204 | 10,680 | 90,783 | 5,340 | 10,680 | 16,020 | 106,803 |
| Professional fees | 24,331 | 63,261 | 3,650 | 12,166 | 103,408 | 6,083 | 12,166 | 18,249 | 121,657 |
| Telephone | 3,418 | 8,886 | 513 | 1,709 | 14,526 | 854 | 1,709 | 2,563 | 17,089 |
| Office supplies | 11,123 | 28,919 | 1,668 | 5,561 | 47,271 | 2,781 | 5,561 | 8,342 | 55,613 |
| Insurance | 3,482 | 9,052 | 522 | 1,741 | 14,797 | 870 | 1,741 | 2,611 | 17,408 |
| Postage | 1,173 | 3,050 | 176 | 587 | 4,986 | 293 | 587 | 880 | 5,866 |
| Travel | 15,795 | 41,067 | 2,369 | 7,897 | 67,128 | 3,949 | 7,897 | 11,846 | 78,974 |
| Printing | 3,409 | 8,863 | 511 | 1,704 | 14,487 | 852 | 1,704 | 2,556 | 17,043 |
| Assistance | - | 55,476 | - | - | 55,476 | - | - | - | 55,476 |
| Dues and subscriptions | 4,549 | 11,827 | 682 | 2,274 | 19,332 | 1,137 | 2,274 | 3,411 | 22,743 |
| Fees | 1,047 | 2,722 | 157 | 523 | 4,449 | 262 | 523 | 785 | 5,234 |
| In-kind services | 5,658 | 14,711 | 849 | 2,829 | 24,047 | 1,415 | 2,829 | 4,244 | 28,291 |
| In-kind medical supplies | - | 1,165,303 | - | - | 1,165,303 | - | - | - | 1,165,303 |
| Advertising | 1,596 | 4,150 | 239 | 798 | 6,783 | 399 | 798 | 1,197 | 7,980 |
| Bank charges | 322 | 836 | 48 | 161 | 1,367 | 80 | 161 | 241 | 1,609 |
| Equipment | 2,280 | 5,929 | 342 | 1,140 | 9,691 | 570 | 1,140 | 1,710 | 11,401 |
| Depreciation expense | 76 | 198 | 11 | 38 | 323 | 19 | 38 | 57 | 380 |
| Miscellaneous | 5 | 12 | 1 | 2 | 20 | 1 | 2 | 3 | 23 |
| Rent | 20,294 | 52,765 | 3,044 | 10,147 | 86,250 | 5,074 | 10,147 | 15,221 | 101,471 |
| Total Expenses | \$ 287,704 | \$ 1,968,806 | \$ 43,153 | \$ 143,850 | \$ 2,443,513 | \$ 71,925 | \$ 143,850 | \$ 215,775 | \$ 2,659,288 |

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

Notes to Financial Statements

Note 1 - Organization

General

The Dystrophic Epidermolysis Bullosa Research Association of America, Inc. (D.E.B.R.A.) was incorporated as a not-for-profit, publicly supported corporation on January 24, 1979 under the laws of the State of New York. D.E.B.R.A. was formed to promote and support research regarding dystrophic epidermolysis bullosa, and to disseminate information to, and serve as an advocate for, those afflicted with this disease as well as their families, the general public and health professionals.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements of D.E.B.R.A. comply with the Financial Statements of Not-for-Profit Organizations topic of the FASB Codification. Under this topic, D.E.B.R.A. reports information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of D.E.B.R.A.'S management and Board of Directors.

Net assets with donor restrictions – 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 D.E.B.R.A. or by the passage of time. Other donor restrictions are perpetual in nature, where-by 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 are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

At December 31, 2020, D.E.B.R.A. had \$547,847 of net assets with donor restrictions (\$811,647 at December 31, 2019).

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued) Revenue and Revenue Recognition

Contributions

D.E.B.R.A 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 are met.

Unconditional contributions are recognized as revenues or gains in the period received and as assets or decreases of liabilities or expenses, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value, while those expected to be collected in future years are recorded at the present value of the expected future receipts.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction (i.e., when a time or purpose restriction is met), 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.

Cash and Cash Equivalents

For financial statement purposes, D.E.B.R.A. considers funds in demand deposits, certificates of deposit, money market funds and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

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

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost when purchased and fair value when donated. Depreciation is computed using the straight-line method over the estimated useful lives of 3 – 7 years of the respective assets. All expenditures for equipment in excess of \$1,000 and a useful life greater than one year are capitalized.

Income Taxes

The Dystrophic Epidermolysis Bullosa Research Association of America, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. A ruling from the Internal Revenue Service has determined that the Organization will be treated as a publicly supported organization, and not a private foundation. This qualifies the Organization for the 50% charitable contribution deduction for individual donors. Consequently, the accompanying financial statements do not include any provision for income taxes.

The Organization recognizes the effect of tax positions only when they are more than likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. In the normal course of business, the Organization's tax filings are subject to examination by federal and state authorities. The tax returns for the years ended December 31, 2017 and forward are subject to examination by taxing authorities.

Functional Expenses

The Organization allocates expenses on a functional basis among programs and support services. Expenses that can be specifically identified are charged directly to the related program or support service. Other expenses that are common to several functions are allocated based on estimates made by management.

Compensated Absences

D.E.B.R.A.'s accounting for compensated absences conforms to generally accepted accounting principles and recognizes vacation pay when earned. Accrued vacation was \$-0- at December 31, 2020 and 2019.

Investments

Investments in equity securities with readily determinable fair market values and all investments in debt instruments are reported at fair value in the statement of financial position. Realized gains or losses and unrealized appreciation or depreciation are reflected in the accompanying statement of activities. If received as a donation, the investment is stated at fair value at the date of donation.

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued)

Inventory – Medical Supplies

D.E.B.R.A. receives various medical supplies (bandages, creams, ointments) from families affected with E.B. and various medical companies. The medical supplies represent items received by these families that are either no longer needed or incompatible with treating E.B. for the child. D.E.B.R.A. values the donated supplies based on published prices of major medical suppliers.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Concentration of Credit Risk

Cash and cash equivalents - D.E.B.R.A. places its cash deposits with high credit-quality financial institutions. Such deposits may exceed federal depository insurance limits at times during the year. However, management believes that these deposits are not subject to significant credit risk. The money market funds held in brokerage accounts is not protected by federal depository insurance.

Investments – D.E.B.R.A.’s investments are comprised of various common and preferred stocks. The value of these investments is subject to fluctuations due to general market conditions and interest rates.

Subsequent Events

Management has evaluated events and transactions subsequent to December 31, 2020 through March 15, 2021, the date the financial statements were available to be issued. There were no subsequent events that require disclosure.

Note 3 - Equipment, Net

Equipment, net is summarized as follows at December 31:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-----------------|-----------------|
| Equipment | \$ 44,083 | \$ 42,896 |
| Less accumulated depreciation | <u>(37,835)</u> | <u>(34,867)</u> |
| Equipment, net | <u>\$ 6,248</u> | <u>\$ 8,029</u> |

Notes to Financial Statements

Note 4 - Inventory

The value of donated medical supplies is based on published prices of major medical suppliers. Inventory at December 31, 2020 and 2019 consists of bandages, creams, ointments and dressings. The value of the donated medical supplies inventory at December 31, 2020 was \$648,724 and \$467,518 at 2019.

Note 5 - Operating Leases

D.E.B.R.A. entered into a lease agreement for office space in June 2013. The term of the lease is for 124 months and expires April 30, 2024. Lease payments for the next five years are as follows:

| | | |
|-------------------|----|----------------|
| December 31, 2021 | \$ | 86,628 |
| 2022 | | 88,577 |
| 2023 | | 90,570 |
| 2024 | | <u>30,869</u> |
| | \$ | <u>296,644</u> |

Note 6 - Donated Services, Materials, Facilities

D.E.B.R.A. receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of donated legal services and medical supplies and other professional services was \$495,605 for the year ended December 31, 2020 and \$1,080,786 for the year ended 2019. The medical supplies were distributed directly to the families of children afflicted with the disease.

Note 7 - Net Assets with donor restrictions

D.E.B.R.A. has received funds from E.B. support groups, corporations, and individuals who have designated their funds to a specific program or purpose. These funds are to be used for the education and outreach programs of local support groups, Family Crisis Fund, Wound Care, Nurse Assistance, New Family Advocate Program, Research, and the dissemination of information concerning the disease E.B. Net assets with donor restrictions were as follows at December 31::

| | | |
|----------------------------------|-------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Programs and E.B. Support Groups | \$ 547,847 | \$ 811,647 |

Notes to Financial Statements

Note 8 - Fair Value of Financial Instruments

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification (“ASC”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which D.E.B.R.A. has determined to be within 90 days.
- Level 3** - Investments that have little to no pricing observability as of the report date. These investments are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Notes to Financial Statements

Note 8 - Fair Value of Financial Instruments (continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by D.E.B.R.A. D.E.B.R.A. considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to D.E.B.R.A.s’ perceived risk of that instrument.

D.E.B.R.A.s’ policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value:

Exchange Traded Funds, Common Stocks and Mutual Funds – These items are valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the methodologies used at December 31, 2020 and 2019.

Assets Measured at Fair-Value on a Recurring Basis – The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of December 31:

| | 2020 | | | |
|-----------------|------------------|----------------|------------------|--------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Common stocks | \$303,466 | \$ - | \$ - | \$ 303,466 |
| Mutual funds | 529,583 | - | | 529,583 |
| Preferred stock | - | - | 250,000 | 250,000 |
| Total | <u>\$833,049</u> | <u>\$ -</u> | <u>\$250,000</u> | <u>\$1,083,049</u> |

Notes to Financial Statements

Note 9 - Fair Value of Financial Instruments (continued)

| | 2019 | | | |
|-----------------|------------------|----------------|------------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Common stocks | \$135,146 | \$ - | \$ - | \$ 135,146 |
| Mutual funds | 529,646 | - | - | 529,646 |
| Preferred stock | - | - | 250,000 | 250,000 |
| Total | <u>\$664,792</u> | <u>\$ -</u> | <u>\$250,000</u> | <u>\$ 914,792</u> |

D.E.B.R.A. has made a \$250,000 investment in a Preferred Stock purchase agreement in a privately held biotechnology company. The purpose of the investment is to leverage the research performed by this company to find a cure for EB as well as provide future funds to D.E.B.R.A. to support its ongoing mission of finding a cure for EB.

Note 10 - Availability and Liquidity

The following represents D.E.B.R.A.'s financial assets at December 31,:

| | <u>2020</u> | <u>2021</u> |
|---|---------------------|--------------------|
| Financial Assets at year end: | | |
| Cash and cash equivalents | \$ 651,965 | \$ 972,811 |
| Investments | 1,083,049 | 914,792 |
| Accounts receivable | 527,541 | 5,360 |
| Total Financial assets | <u>2,262,555</u> | <u>1,892,963</u> |
| Less amounts not available to be within one year | | |
| Net assets with donor restrictions | <u>547,847</u> | <u>811,647</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 1,714,708</u> | <u>\$1,081,316</u> |

D.E.B.R.A.'s goal is generally to maintain financial assets by receiving support from various sources including individual, corporate, foundation and Board contributions, as well as income from investment sources.

Notes to Financial Statements

Note 11 - Other

D.E.B.R.A. has been named the beneficiary of a charitable remainder unitrust. The trustee will distribute the principal and income of the trust estate upon the death of the beneficiary.

Note 12 - Risks and Uncertainties

The recent COVID-19 outbreak has caused economic disruptions through mandated voluntary closings of businesses and organizations throughout the United States. The extent of the impact of COVID-19 on D.E.B.R.A.'s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on D.E.B.R.A.'s donors, employees, investments and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact D.E.B.R.A.'s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of the pandemic.