Audited Financial Statements

RESEARCH!AMERICA

December 31, 2018

Contents

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
Research!America

Report on the Financial Statements

We have audited the accompanying financial statements of Research!America (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Organization'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 Organization'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 2018 financial statements referred to above present fairly, in all material respects, the financial position of Research!America as of December 31, 2018, 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.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended December 31, 2017, were audited by other auditors whose report, dated May 9, 2018, expressed an unmodified opinion on those statements.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, the Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Organization's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Tate & Tryon

Washington, DC
April 19, 2019

Statements of Financial Position

December 31,		2018		2017
Assets				
Cash and cash equivalents	**$**	**322,767**	$	541,709
Investments		**954,067**		1,011,739
Contributions and grants receivable, net		**1,222,685**		1,071,328
Prepaid expenses		**54,986**		30,487
Deposits and other assets		**21,148**		45,914
Property and equipment, net		**455,784**		519,448
Deferred compensation investments		**334,013**		335,731
Total assets	**$**	**3,365,450**	$	3,556,356
Liabilities and Net Assets				
Liabilities				
Accounts payable	**$**	**22,367**	$	20,017
Accrued expenses		**211,247**		187,121
Line of credit		**50,379**		-
Deferred rent		**723,477**		777,462
Deferred compensation		**334,013**		335,731
Total liabilities		**1,341,483**		1,320,331
Net assets				
Without donor restrictions				
Undesignated		**47,859**		205,738
Board designated		**399,472**		399,472
Total net assets without donor restrictions		**447,331**		605,210
With donor restrictions				
Restricted for time		**1,049,720**		1,312,065
Restricted for purpose		**526,916**		318,750
Total net assets with donor restrictions		**1,576,636**		1,630,815
Total net assets		**2,023,967**		2,236,025
Total liabilities and net assets	**$**	**3,365,450**	$	3,556,356

See notes to the financial statements.

Statements of Activities

Year Ended December 31,	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue and support						
Dues	$ 1,515,100	$ -	**$ 1,515,100**	$ 1,415,100	$ -	1,415,100
Advocacy Awards event	415,401	305,000	**720,401**	488,392	680,000	1,168,392
Partner programs	426,600	180,000	**606,600**	341,000	75,000	416,000
National Forum	480,800		**480,800**	456,200		456,200
General contributions	136,515	276,000	**412,515**	99,992	4,600	104,592
Grants	45,000	162,000	**207,000**	134,433	320,000	454,433
In-kind support	84,770		**84,770**	118,707		118,707
Interest and dividends, net	19,698		**19,698**	16,259		16,259
Other income	15,134		**15,134**	759		759
Net assets released from restrictions	977,179	(977,179)	**-**	715,656	(715,656)	-
Total revenue and support	4,116,197	(54,179)	**4,062,018**	3,786,498	363,944	4,150,442
Expense						
Program services	3,059,811	-	**3,059,811**	2,936,272	-	2,936,272
Supporting services						
Operating	546,515		**546,515**	486,903		486,903
Fundraising	607,449		**607,449**	619,565		619,565
Total expense	4,213,775	-	4,213,775	4,042,740	-	4,042,740
Change in net assets before non-operating activity	(97,578)	(54,179)	**(151,757)**	(256,242)	363,944	107,702
Non-operating activity						
Realized and unrealized (losses) gains	(60,301)	-	**(60,301)**	95,935	-	95,935
Change in net assets	(157,879)	(54,179)	**(212,058)**	(160,307)	363,944	203,637
Net assets, beginning of year	605,210	1,630,815	**2,236,025**	765,517	1,266,871	2,032,388
Net assets, end of year	$ 447,331	$ 1,576,636	**$ 2,023,967**	$ 605,210	$ 1,630,815	$ 2,236,025

See notes to the financial statements.

Statement of Functional Expenses

Year Ended December 31, 2018 (With Comparative Totals for 2017)

Year Ended December 31,	2018				2017
	Programs	Operating	Fundraising	Total	Total
Salaries	$ 1,293,760	$ 408,012	$ 444,975	$ 2,146,747	$ 2,131,503
Fringe benefits	239,437	87,567	82,527	409,531	375,876
Rent and parking	204,730	10,729	32,447	247,906	244,183
Events	231,215			231,215	236,775
Meetings and workshops	154,781	19	57	154,857	145,378
Return of contribution	150,000			150,000	-
Advertising/news placement	121,784	98	254	122,136	201,758
Professional services	94,471	19,257	587	114,315	108,904
Lobbying	112,908			112,908	106,406
Computers and equipment	70,848	3,135	7,838	81,821	72,453
Depreciation	65,123	3,971	10,324	79,418	79,426
Dues, subscriptions and registration fees	65,720	2,452	454	68,626	37,631
Travel	51,395	15	10,690	62,100	70,746
Accounting and legal	50,824	2,748	7,997	61,569	76,394
Public opinion polls	58,472			58,472	52,400
Printing and publications	33,932	833	(104)	34,661	33,491
Telephone and fax	16,179	860	2,095	19,134	18,899
Taxes and licenses	12,739	755	1,963	15,457	5,606
Board meetings	7,768	3,674	1,152	12,594	9,984
Insurance	8,499	1,206	1,347	11,052	10,273
Supplies	6,088	510	937	7,535	8,808
Maintenance and repairs	4,411	269	699	5,379	7,476
Other	3,755	354	590	4,699	4,138
Postage and delivery	972	51	620	1,643	3,232
Bad debt	-			-	1,000
Total Expenses	**$ 3,059,811**	**$ 546,515**	**$ 607,449**	**$ 4,213,775**	**$ 4,042,740**

Statements of Cash Flows

Year Ended December 31,	2018	2017
Cash flows from operating activities		
Change in net assets	**$ (212,058)**	$ 203,637
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**79,418**	79,426
Deferred rent	**(53,985)**	150,598
Realized and unrealized losses (gains)	**60,301**	(95,935)
Change in pledge discount	**749**	7,320
Interest on line of credit	**379**	-
Change in assets and liabilities:		
Contributions and grants receivable	**(152,106)**	(196,288)
Prepaid expenses	**(24,499)**	6,428
Deposits and other assets	**24,766**	(5,977)
Accounts payable	**2,350**	(4,812)
Accrued expenses	**24,126**	(8,393)
Refundable advances	**-**	(55,747)
Total adjustments	**(38,501)**	(123,380)
Net cash (used in) provided by operating activities	**(250,559)**	80,257
Cash flows from investing activities		
Purchases of property and equipment	**(15,754)**	(4,175)
Purchases of investments	**(19,964)**	(16,428)
Sale of investments	**17,335**	179
Net cash used in investing activities	**(18,383)**	(20,424)
Cash flows from financing activities		
Proceeds from line of credit	**50,000**	-
Net (decrease) increase in cash and cash equivalents	**(218,942)**	59,833
Cash and cash equivalents, beginning of year	**541,709**	481,876
Cash and cash equivalents, end of year	**$ 322,767**	$ 541,709

See notes to the financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Research!America (the Organization) was incorporated in the District of Columbia as a not-for-profit organization. Its mission is to achieve better health for all through education and support for medical research as a national priority; to increase resources available for medical research; to make medical research a highly visible, urgent and understandable priority on the national agenda; to increase public awareness of the importance of research and research careers; and to enhance the nation's scientific leadership in biology and medicine.

Income tax status: The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had net unrelated business income for the year ended December 31, 2018 resulting in $7,862 in tax expense. The Organization did not have any net unrelated business income for the year ended December 31, 2017.

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expense when the obligation is incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the financial statements, the Organization considers money market accounts to be cash equivalents.

Board designated net assets: In prior years, the Board of Directors (the Board) designated an amount of $500,000 for a future use to be determined at a later time and only upon approval of the Board. During the years ended December 31, 2018 and 2017, the Board did not approve any expenditures from the designated funds. At December 31, 2018 and 2017, the remaining balances are $399,472.

Support and revenue recognition: Amounts received for dues, the advocacy awards event, the national forum and partner programs are accounted for as contributions in the year received.

Unconditional contributions received, including the majority of grants, are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Contributions with restrictions that are met by the Organization in the year in which they were received are recognized as support without donor restrictions.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In-kind support: The Organization receives contributions of services from businesses toward the fulfillment of program objectives, specifically for internet advertising. Those services have been included in revenue and the appropriate expense categories and are recorded at their estimated fair values as of the date of the donation.

Functional expenses: Direct costs associated with specific programs are recorded as program expenses. Overhead expenses are allocated to the various programs and supporting services based on personnel time spent on these activities. Fringe benefits are allocated based on labor dollars spent on these activities. Personnel and administrative costs (phone, insurance, depreciation, and other operating expenses) and rent have been allocated between program, fundraising and operating expenses based on level of effort. Operating expenses consist of general and administrative expenses. Fundraising expenses consist of development expenses.

New accounting standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and functional expenses.

Subsequent events: Subsequent events have been evaluated through April 19, 2019, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS OF CREDIT AND MARKET RISKS

Credit risk: The Organization maintains demand deposits with various financial institutions which, at times, may exceed federally-insured limits. The uninsured positions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss. The Organization has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these balances.

Market value risk: The Organization also invests in various equity and fixed income securities. Such investments are exposed to market and credit risks, such as fluctuations in market value and credit risk. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

C. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions receivable are recognized as support and revenue in the period unconditionally acknowledged. Unconditional contributions receivable expected to be collected within one year are carried at original amount promised. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risk of the contributions receivable. Management determines the allowance for doubtful accounts by regularly evaluating individual contributions receivable and considering the prior history of donors and proven collectability of past donations. Management believes all contributions receivable are fully collectable and as such, there was no allowance for doubtful promises at December 31, 2018 and 2017. Contributions receivable are written off against the allowance for doubtful promises when deemed uncollectable. Recoveries of receivables previously written off are recorded when received.

C. CONTRIBUTIONS AND GRANTS RECEIVABLE - CONTINUED

Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Until that point, any amounts received are reported as refundable advances.

Contributions and grants receivable at December 31, 2018 and 2017, consist of general contributions as well as contributions and grants promised to fund specific programs. These amounts are expected to be received as follows:

	2018	2017
Due in one year or less	$ 583,593	$ 450,722
Due in one to five years	665,721	646,486
	1,249,314	1,097,208
Less: present value discount	(26,629)	(25,880)
	$ 1,222,685	**$ 1,071,328**

D. INVESTMENTS AND FAIR MARKET VALUE

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

> Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;
>
> Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;
>
> Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments classified within Level 1 include domestic equities, which were valued based on quoted prices for identical assets in active markets.

Investments classified within Level 2 include corporate bonds, which were valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair values of the investments to be a reasonable approximation of fair value.

Investments recorded at cost include a money market fund and a certificate of deposit. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

D. Investments and Fair Market Value - Continued

Investments consist of the following types and were classified in the following fair value levels at December 31,:

2018	Total	Level 1	Level 2	Level 3
Investments, carried at fair value				
Domestic equities	$ 510,548	$ 510,548	$ -	$ -
Corporate bonds	418,547		418,547	
Investments, carried at fair value	929,095	$ 510,548	$ 418,547	$ -
Money market fund	24,972			
	$ 954,067			

2017	Total	Level 1	Level 2	Level 3
Investments, carried at fair value				
Domestic equities	$ 568,297	$ 568,297	$ -	$ -
Corporate bonds	406,510		406,510	
Investments, carried at fair value	974,807	$ 568,297	$ 406,510	$ -
Money market fund	19,845			
Certificate of deposit	17,087			
	$ 1,011,739			

Investment (loss) income is composed of the following for the years ended December 31,:

	2018	2017
Realized and unrealized (losses) gains	$ (60,301)	$ 95,935
Interest and dividend income	21,201	25,297
	(39,100)	121,232
Less: Investment fees	(1,503)	(9,038)
	$ (40,603)	**$ 112,194**

E. Liquidity and Availability of Financial Assets

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has a $250,000 line of credit that can be drawn upon in the event of an anticipated liquidity need. Financial assets available for general expenditure within one year are as follows for the year ended December 31, 2018:

Cash and cash equivalents	$ 322,767
Investments	954,067
Contributions and grants receivable	1,222,685
Total financial assets	2,499,519
Less: present value of receivables due in one to five years	(639,092)
Less: net assets with donor restrictions	(760,236)
Total financial assets available for expenditure	$ 1,100,191

F. Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are recorded at cost and amortized over the shorter of the asset's useful life or the term of the lease. The Organization capitalizes all property and equipment purchased with a cost of $500 or more.

Property and equipment and accumulated depreciation at December 31, 2018, and depreciation expense for the year ended December 31, 2018, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and equipment	3 to 10 years	$ 90,590	$ 64,607	$ 25,983	$ 11,631
Website development	5 years	107,463	72,007	35,456	19,377
Leasehold improvements	11 years	524,438	130,093	394,345	48,410
		$ 722,491	**$ 266,707**	**$ 455,784**	**$ 79,418**

Property and equipment and accumulated depreciation at December 31, 2017, and depreciation expense for the year ended December 31, 2017, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Furniture and equipment	3 to 10 years	$ 74,836	$ 52,976	$ 21,860	$ 11,639
Website development	5 years	107,463	52,630	54,833	19,378
Leasehold improvements	11 years	524,438	81,683	442,755	48,409
		$ 706,737	**$ 187,289**	**$ 519,448**	**$ 79,426**

G. Net Assets With Donor Restrictions

Net assets with donor restrictions include donor-restricted funds, which are available for program services or restricted for time. Net assets with donor restrictions were released from restrictions during the years ended December 31, 2018 and 2017, due to the time restriction ending or the purpose restriction being accomplished.

Changes in net assets with donor restrictions during the year ended December 31, 2018, are as follows:

	December 31, 2017	Additions	Releases	December 31, 2018
Time restricted:				
Advocacy Awards Event	$ 1,194,485	$ 305,000	$ 735,426	$ 764,059
Board Leadership Campaign	47,580	276,000	72,919	250,661
Science Policy Fellowship Grant	70,000		35,000	35,000
Purpose restricted:				
Internship program	250,000		39,484	210,516
Partner programs	68,750	180,000	68,750	180,000
Science CEO Roundtable	-	112,000	25,600	86,400
Fact Sheets	-	50,000		50,000
	$ 1,630,815	**$ 923,000**	**$ 977,179**	**$ 1,576,636**

Changes in net assets with donor restrictions during the year ended December 31, 2017, are as follows:

	December 31, 2016	Additions	Releases	December 31, 2017
Time restricted:				
Advocacy Awards Event	$ 1,017,096	$ 680,000	$ 502,611	$ 1,194,485
Science Policy Fellowship Grant	-	70,000		70,000
Board Leadership Campaign	102,820	4,600	59,840	47,580
Purpose restricted:				
Internship program	96,955	250,000	96,955	250,000
Partner programs	50,000	75,000	56,250	68,750
	$ 1,266,871	**$ 1,079,600**	**$ 715,656**	**$ 1,630,815**

During the year ended December 31, 2018, the Organization returned a contribution in the amount of $150,000 to a donor. The Board of Directors determined that receipt of this contribution ran contrary to the Organization's mission. The return of the contribution is included in program expenses in the statements of activities.

H. Retirement Plans

The Organization has a defined contribution plan (the Plan) that currently covers all full-time employees after one year of service. Contributions to the Plan are based on 8% of participants' salaries. For the years ended December 31, 2018 and 2017, retirement plan expense was $144,990 and $142,562, respectively.

The Organization has a funded, non-qualified deferred compensation plan established under Section 457(b) to provide deferred compensation for selected key employees. Increases (decreases) to the plan for contributions and investment income (loss) activity were $(1,718) and $73,634 for the years ended December 31, 2018 and 2017, respectively. The balance of deferred compensation at December 31, 2018 and 2017 is $334,013 and $335,731, respectively.

The Organization's deferred compensation plan assets consist of separate investment accounts holding pools of mutual funds in which the value of the investment account is calculated based on the net assets of the underlying pool of the mutual funds. There are no future commitments to these funds and the Organization can liquidate as needed. The assets are classified as Level 2 (see Note D) based on the ability of the Organization to redeem amounts as a net asset value per share in the near term.

Deferred compensation liability is based on the net asset value of the deferred compensation plan assets that are observable inputs, but the liability is not publicly traded and is, therefore, classified as Level 2.

I. Related Party Transactions

During the years ended December 31, 2018 and 2017, the Organization received $358,669 and $91,907, respectively, in contributions from members of the Board of Directors.

J. Commitments and Contingencies

Office lease: In December 2015, the Organization entered into a lease agreement for its Arlington, Virginia office space, beginning on July 1, 2016, and expiring on August 31, 2027. This lease agreement provides for an option to renew for an additional five years. Rent expense is being recognized on a straight-line basis over the term of the lease. Rent expense, including parking, for the years ended December 31, 2018 and 2017, were $247,906 and $244,183, respectively.

Under the terms of the lease agreement, the Organization received a landlord improvement allowance for leasehold improvements. The benefits that the Organization received from the allowance and rent increases in future years are being allocated on a straight-line basis over the term of the lease. The difference between the expense and the cash payments plus the unamortized landlord improvement allowance is reported as deferred rent.

J. Commitments and Contingencies - Continued

The total future minimum lease payments for the lease at December 31, 2018, are as follows:

Year Ending December 31,	Amount
2019	$ 267,180
2020	273,859
2021	280,705
2022	287,723
2023	294,916
Thereafter	1,145,636
	$ 2,550,019

Employee contract: The Organization has an employment contract with the President through February 1, 2023. The contract contains a non-cancelable commitment in the event of termination under certain circumstances. At December 31, 2018 and 2017, the maximum non-cancellable commitment was $464,505 and $446,639, respectively.

Line of credit: The Organization entered into a line of credit with a financial institution on June 23, 2015, for $250,000. Any outstanding balance incurs interest at 5.06%. The line of credit is for a term of one year, subject to renewal annually and is secured by the Organization's investments. The outstanding balance at December 31, 2018 and 2017 was $50,379 and $0, respectively.