



**CMT
Research
Foundation**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CMT RESEARCH FOUNDATION, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENTS OF FINANCIAL POSITION	1
STATEMENTS OF ACTIVITIES AND NET ASSETS	2
STATEMENTS OF FUNCTIONAL EXPENSES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-10



Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CMT Research Foundation, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of CMT Research Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and net assets, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CMT Research Foundation, 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.

Jones and Kolb

April 15, 2021

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and equivalents	\$ 1,806,068	\$ 1,322,134
Contributions receivable	794,511	713,940
Total current assets	2,600,579	2,036,074
LONG-TERM ASSETS		
Contributions receivable	130,704	500,000
Total assets	<u>\$ 2,731,283</u>	<u>\$ 2,536,074</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 5,810	\$ 15,885
Total current liabilities	5,810	15,885
NET ASSETS		
Without donor restrictions	1,264,056	1,032,556
With donor restrictions	1,461,417	1,487,633
Total net assets	2,725,473	2,520,189
Total liabilities and net assets	<u>\$ 2,731,283</u>	<u>\$ 2,536,074</u>

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

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions	\$ 798,063	\$ 853,815	\$ 1,651,878	\$ 422,528	\$ 974,940	\$ 1,397,468
Government grants	34,400	-	34,400	-	-	-
Gross special events revenue	-	-	-	215,150	-	215,150
Less cost of direct benefit to donors	-	-	-	(86,034)	-	(86,034)
Interest income	1,330	-	1,330	2,969	-	2,969
Total revenues and support	<u>833,793</u>	<u>853,815</u>	<u>1,687,608</u>	<u>554,613</u>	<u>974,940</u>	<u>1,529,553</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>880,031</u>	<u>(880,031)</u>	<u>-</u>	<u>337,307</u>	<u>(337,307)</u>	<u>-</u>
EXPENSES						
Program services	1,046,679	-	1,046,679	268,064	-	268,064
Management and general	98,406	-	98,406	39,770	-	39,770
Fundraising	337,239	-	337,239	94,883	-	94,883
Total expenses	<u>1,482,324</u>	<u>-</u>	<u>1,482,324</u>	<u>402,717</u>	<u>-</u>	<u>402,717</u>
CHANGE IN NET ASSETS	231,500	(26,216)	205,284	489,203	637,633	1,126,836
NET ASSETS						
Beginning of year	<u>1,032,556</u>	<u>1,487,633</u>	<u>2,520,189</u>	<u>543,353</u>	<u>850,000</u>	<u>1,393,353</u>
End of year	<u>\$ 1,264,056</u>	<u>\$ 1,461,417</u>	<u>\$ 2,725,473</u>	<u>\$ 1,032,556</u>	<u>\$ 1,487,633</u>	<u>\$ 2,520,189</u>

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

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Project expenses	\$ 711,611	\$ -	\$ -	\$ 711,611	\$ 124,249	\$ -	\$ -	\$ 124,249
Compensation	225,764	61,374	169,552	456,690	54,722	10,944	43,779	109,445
Professional fees	98,186	16,284	131,344	245,814	54,571	19,250	-	73,821
Marketing	-	1,332	28,092	29,424	1,233	1,248	38,054	40,535
Office	1,543	17,095	4,867	23,505	2,663	4,701	-	7,364
Miscellaneous	7,040	-	1,105	8,145	4,963	-	1,077	6,040
Travel	2,535	-	2,279	4,814	25,663	-	11,973	37,636
Insurance	-	2,321	-	2,321	-	1,584	-	1,584
Meetings	-	-	-	-	-	2,043	-	2,043
Total	\$ 1,046,679	\$ 98,406	\$ 337,239	\$ 1,482,324	\$ 268,064	\$ 39,770	\$ 94,883	\$ 402,717

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

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 1,975,003	\$ 1,176,877
Interest income received	1,330	2,969
Costs for special events	-	(86,034)
Project expenses	(721,698)	(113,437)
Compensation expenses	(459,951)	(108,076)
Marketing expenses	(27,709)	(41,741)
Professional fees expense	(244,182)	(72,883)
Travel expenses	(4,814)	(37,636)
Other operating expenses	(34,045)	(17,578)
 Total adjustments	 483,934	 702,461
 Net cash provided by operating activities	 483,934	 702,461
 NET INCREASE IN CASH AND EQUIVALENTS	 483,934	 702,461
 CASH AND EQUIVALENTS, Beginning of period	 1,322,134	 619,673
 CASH AND EQUIVALENTS, End of period	 \$ 1,806,068	 \$ 1,322,134

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

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CMT Research Foundation, Inc. (the "Organization") was founded in 2018 with a mission dedicated to delivering treatments and cures for Charcot-Marie-Tooth ("CMT") disease. CMT is a genetic nerve disease with over 100 known genetic causes. Onset can be at birth or later in life and is characterized by degeneration of motor nerves which can lead to severe disability or death. The primary function of the Organization is to strategically partner with academia and industry stakeholders who are pursuing a cure or more effective treatment for CMT.

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

C. The Organization classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as net assets without donor restrictions unless specifically restricted by the donor. All other restricted contributions are recorded as an increase in net assets with donor restrictions. When restrictions expire (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 Statements of Activities and Net Assets as "net assets released from restrictions." Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operation of the Organization.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions may be temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets generally permit the Organization to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are contributions for which restrictions have not been met.

D. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) superseding the guidance in former Accounting Standards Codification ("ASC") 605, Revenue Recognition. It requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the year ended December 31, 2020, the Organization adopted this standard which did not have a material impact on the accompanying financial statements. The presentation and disclosure of revenue have been enhanced in accordance with this standard.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Accounting Guidance for Contributions Received and Contributions Made to further improve the scope and the accounting guidance for revenue recognition; to assist entities distinguishing between contributions and exchange transactions; and to determine whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes both a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the donor's obligation to transfer assets. On January 1, 2020, the Organization adopted this standard prospectively which did not have a material impact on the accompanying financial statements.

E. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At times, the Organization's cash balances may be in excess of the federally insured limits. However, given the strength of the financial institution, management believes such excess deposits do not create significant loss exposure.

F. 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.

G. Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, unconditional. Unconditional pledges are recorded at their net realizable value if due within one year. Unconditional pledges expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts are calculated using interest rates applicable to the years in which the promise is received. During the years ended December 31, 2020 and 2019, no discount was recorded as the interest rates were not significant. At December 31, 2020 and 2019, contributions receivable more than one year from the Statement of Financial Position date were \$130,704 and \$500,000, respectively. An allowance for uncollectible contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor and other relevant factors. At December 31, 2020 and 2019, management believes all contributions receivable are fully collectible. Therefore, no allowance for uncollectible accounts is recorded in the accompanying financial statements.

The Organization recognizes revenues from fundraising events in the period the event occurs. Amounts received prior to the event are reported as deferred revenue. The Organization did not have any deferred revenues related to special events at December 31, 2020 and 2019.

H. The accompanying financial statements report certain categories of expenses that are attributable to one or more functions of the Organization, which are defined as program services, management and general, and fundraising. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated on the basis of

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

estimates of time and effort. The remainder of the expenses are primarily allocated through specific identification to the functional expense category due to the nature of the expense.

I. The Organization is a nonprofit corporation which has been granted tax-exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code. However, it is subject to IRC Section 511(a) for income taxes on unrelated business income. The Organization had no tax liability as of December 31, 2020 and 2019.

J. Subsequent events have been evaluated by management through April 15, 2021, the date these financial statements were available to be issued.

2. LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 2,731,283	\$ 2,536,074
Less those unavailable for general expenditures within one year due to:		
Purpose restrictions by donors	(961,417)	(477,633)
Time restrictions by donor	<u>(500,000)</u>	<u>(1,010,000)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,269,866</u>	<u>\$ 1,048,441</u>

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

3. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions as of and for the year ended December 31, 2020 are summarized as follows:

<u>Restriction</u>	<u>December 31, 2019</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31, 2020</u>
Subject to specified purpose:				
CMT1A	\$ 384,087	\$ 356,000	\$ (221,505)	\$ 518,582
CMT2E	93,546	-	(27,820)	65,726
CMT1B	-	472,715	(120,706)	352,009
CMTX	-	25,100	-	25,100
Subject to specified time:				
Years 2020 - 2022	1,010,000	-	(510,000)	500,000
Total	<u>\$ 1,487,633</u>	<u>\$ 853,815</u>	<u>\$ (880,031)</u>	<u>\$ 1,461,417</u>

Net assets with donor restrictions as of and for the year ended December 31, 2019 are summarized as follows:

<u>Restriction</u>	<u>December 31, 2018</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31, 2019</u>
Subject to specified purpose:				
CMT1A	\$ 100,000	\$ 361,000	\$ (76,913)	\$ 384,087
CMT2E	-	103,940	(10,394)	93,546
Subject to specified time:				
Years 2019 - 2021	750,000	510,000	(250,000)	1,010,000
Total	<u>\$ 850,000</u>	<u>\$ 974,940</u>	<u>\$ (337,307)</u>	<u>\$ 1,487,633</u>

4. CONCENTRATIONS

During the year ended December 31, 2020 and 2019, two donors accounted for approximately 40% and 54% of revenues and support, respectively. Four donors and two donors accounted for approximately 95% and 82% of contributions receivable at December 31, 2020 and 2019, respectively.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

5. RETIREMENT PLAN

The Organization adopted a 401(k) safe harbor plan ("the Plan") as of April 15, 2020. Under the Plan, all full-time employees who are at least 21 years of age are eligible to make salary deferrals to the Plan after two months of service. The Plan allows for pre-tax 401(k) deferrals and Roth 401(k) deferrals.

6. COMMITMENTS

The Organization has entered funding arrangements for various research and development projects with future payments totaling approximately \$948,460 to develop a cure or treatment for CMT. The agreements contain various terms and conditions to reduce the risk to the Organization. Most agreements include multiple phases or milestones that must be achieved for the Organization to be obligated to make payment. Additionally, the agreements include various repayment terms, royalty payments or equity investment upon development of a successful commercial product.

7. PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the Organization entered in an unsecured note payable with a financial institution as part of the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the note may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of December 31, 2020, 100% of the note was forgiven and the Organization recognized \$34,400 as government grants revenue.

8. CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic, with the outbreak widespread in the U.S. Therefore, there were minor delays at a few of the strategic partners' research facilities. However, the Organization continued to pursue new projects in full force. Additionally, all in-person fundraising events were canceled for the year ended December 31, 2020. Future potential impacts to the Organization may include continued disruptions or restrictions on the Organization's sponsored research programs and funding which are dependent on financial markets. The full extent of the impact of COVID-19 on the Organization will depend on various future developments. No adjustments have been made to these financial statements as a result of this uncertainty.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

9. SUBSEQUENT EVENT

In March 2021, Charcot-Marie-Tooth Association ("CMTA") filed a suit against the Organization and an officer seeking unspecified damages and making various claims regarding the officer's previous employment with CMTA and its donor lists. As of December 31, 2020, it is not possible to determine the amount of any potential loss to the Organization. On March 30, 2021, the Court entered an order enjoining the Organization from using a significant portion of its donor list or the information in the donor list in any way. The order required the Organization to immediately return the donor list and all derivatives of the donor list to the plaintiff and enjoined them from contacting the individuals identified on the donor list. The Organization denies these claims and is vigorously defending them. Additionally, the Organization carries commercial liability insurance, subject to a \$5,000 deductible, which mitigates the risks of loss from these claims.

10. EVENT (UNAUDITED) SUBSEQUENT TO DATE OF THE INDEPENDENT AUDITOR'S REPORT

In September 2021, CMTA dismissed the lawsuit (Note 9) in its entirety without prejudice. The Organization's legal costs were covered by insurance, so no donor funds were directed away from essential research to find treatments and/or a cure for CMT.