



**CMT  
Research  
Foundation**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021  
AND THE YEAR ENDED DECEMBER 31, 2020**

**CMT RESEARCH FOUNDATION, INC.**  
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**JUNE 30, 2021 AND DECEMBER 31, 2020**

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**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 June 30, 2021 and December 31, 2020, and the related statements of activities and net assets, functional expenses and cash flows for the six-month period ended June 30, 2021 and the year ended December 31, 2020 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 June 30, 2021 and December 31, 2020, and the changes in its net assets and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones and Kolb*

June 20, 2022

**CMT RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND DECEMBER 31, 2020**

	<b><u>ASSETS</u></b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 1,797,180	\$ 1,806,068
Contributions receivable	325,215	794,511
	<hr/>	<hr/>
Total current assets	2,122,395	2,600,579
 <b>LONG-TERM ASSETS</b>		
Contributions receivable	-	130,704
	<hr/>	<hr/>
Total assets	<u>\$ 2,122,395</u>	<u>\$ 2,731,283</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 34,486	\$ 5,810
	<hr/>	<hr/>
Total current liabilities	34,486	5,810
 <b>NET ASSETS</b>		
Without donor restrictions	1,208,040	1,264,056
With donor restrictions	879,869	1,461,417
	<hr/>	<hr/>
Total net assets	2,087,909	2,725,473
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,122,395</u>	<u>\$ 2,731,283</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 SIX-MONTH PERIOD ENDED JUNE 30, 2021**  
**AND THE YEAR ENDED DECEMBER 31, 2020**

	Six-Month Period Ended			Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Contributions	\$ 128,428	\$ 85,000	\$ 213,428	\$ 798,063	\$ 853,815	\$ 1,651,878
Government grants	-	-	-	34,400	-	34,400
Other income	3,470	-	3,470	-	-	-
Interest income	106	-	106	1,330	-	1,330
Total revenues and support	132,004	85,000	217,004	833,793	853,815	1,687,608
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	666,548	(666,548)	-	880,031	(880,031)	-
<b>EXPENSES</b>						
Program services	573,723	-	573,723	1,046,679	-	1,046,679
Management and general	74,104	-	74,104	98,406	-	98,406
Fundraising	206,741	-	206,741	337,239	-	337,239
Total expenses	854,568	-	854,568	1,482,324	-	1,482,324
<b>CHANGE IN NET ASSETS</b>	(56,016)	(581,548)	(637,564)	231,500	(26,216)	205,284
<b>NET ASSETS</b>						
Beginning of year	1,264,056	1,461,417	2,725,473	1,032,556	1,487,633	2,520,189
End of year	\$ 1,208,040	\$ 879,869	\$ 2,087,909	\$ 1,264,056	\$ 1,461,417	\$ 2,725,473

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are an integral part of these statements.

**CMT RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**  
**AND THE YEAR ENDED DECEMBER 31, 2020**

	<b>Six-Month Period Ended June 30, 2021</b>				<b>Year Ended December 31, 2020</b>			
	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Project expenses	\$ 343,485	\$ -	\$ -	\$ 343,485	\$ 711,611	\$ -	\$ -	\$ 711,611
Compensation	202,708	23,750	104,468	330,926	225,764	61,374	169,552	456,690
Professional fees	19,573	33,529	29,550	82,652	98,186	16,284	131,344	245,814
Marketing	-	175	61,764	61,939	-	1,332	28,092	29,424
Office	695	6,251	9,996	16,942	1,543	17,095	4,867	23,505
Miscellaneous	2,262	1,027	57	3,346	7,040	-	1,105	8,145
Travel	-	941	80	1,021	2,535	-	2,279	4,814
Insurance	-	8,431	-	8,431	-	2,321	-	2,321
Meetings	5,000	-	826	5,826	-	-	-	-
<b>Total</b>	<b>\$ 573,723</b>	<b>\$ 74,104</b>	<b>\$ 206,741</b>	<b>\$ 854,568</b>	<b>\$ 1,046,679</b>	<b>\$ 98,406</b>	<b>\$ 337,239</b>	<b>\$ 1,482,324</b>

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

**CMT RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**  
**AND THE YEAR ENDED DECEMBER 31, 2020**

	<b>Six-Month Period Ended June 30, 2021</b>	<b>Year Ended December 31, 2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 813,428	\$ 1,975,003
Interest income received	106	1,330
Other income received	3,470	-
Project expenses	(318,758)	(721,698)
Compensation expenses	(327,692)	(459,951)
Marketing expenses	(63,654)	(27,709)
Professional fees expense	(85,222)	(244,182)
Travel expenses	(1,021)	(4,814)
Other operating expenses	(29,545)	(34,045)
Net cash (used in) provided by operating activities	(8,888)	483,934
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(8,888)	483,934
<b>CASH AND EQUIVALENTS, Beginning of period</b>	1,806,068	1,322,134
<b>CASH AND EQUIVALENTS, End of period</b>	\$ 1,797,180	\$ 1,806,068

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

**CMT RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**  
**AND THE YEAR ENDED DECEMBER 31, 2020**

**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.

Effective January 1, 2021, the Organization changed its fiscal year end from December 31 to June 30.

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 those 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



**CMT RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

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 donors' 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 periods ended June 30, 2021 and December 31, 2020, no discount was recorded as the interest rates were not significant. At December 31, 2020, contributions receivable due more than one year from the Statement of Financial Position date were \$130,704. 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 June 30, 2021 and December 31, 2020, 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 June 30, 2021 and December 31, 2020.

**CMT RESEARCH FOUNDATION, INC.**  
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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 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 ("IRC"). However, it is subject to IRC Section 511(a) for income taxes on unrelated business income. The Organization had no tax liability as of June 30, 2021 and December 31, 2020.

J. Subsequent events have been evaluated by management through June 20, 2022, the date these financial statements were available to be issued.

**2. LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following as of June 30, 2021 and December 31, 2020:

	<b><u>June 30, 2021</u></b>	<b><u>December 31, 2020</u></b>
Financial assets, at year end	\$ 2,122,395	\$ 2,600,579
Less those unavailable for general expenditures within one year due to:		
Purpose restrictions by donors	(879,869)	(961,417)
Time restrictions by donor	<u>-</u>	<u>(369,296)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,242,526</u>	<u>\$ 1,269,866</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

**CMT RESEARCH FOUNDATION, INC.**  
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**3. RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions as of and for the six-month period ended June 30, 2021 are summarized as follows:

<b>Restriction</b>	<b>December 31, 2020</b>	<b>Contributions</b>	<b>Releases</b>	<b>June 30, 2021</b>
Subject to specified purpose:				
CMT1A	\$ 518,582	\$ 80,000	\$ (104,631)	\$ 493,951
CMT2E	65,726	-	(25,000)	40,726
CMT1B	352,009	-	(36,305)	315,704
CMTX	25,100	-	(612)	24,488
CMT2A	-	5,000	-	5,000
Subject to specified time:				
Years 2021 - 2022	500,000	-	(500,000)	-
Total	<u>\$ 1,461,417</u>	<u>\$ 85,000</u>	<u>\$ (666,548)</u>	<u>\$ 879,869</u>

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

<b>Restriction</b>	<b>December 31, 2019</b>	<b>Contributions</b>	<b>Releases</b>	<b>December 31, 2020</b>
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>

**CMT RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. CONCENTRATIONS**

During the six-month period ended June 30, 2021 and the year ended December 31, 2020, one donor and two donors accounted for approximately 35% and 40% of revenues and support, respectively. One donor and four donors accounted for approximately 85% and 95% of contributions receivable at June 30, 2021 and December 31, 2020, respectively.

**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 with future payments totaling approximately \$1,491,000 for various research and development projects 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. PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Organization entered in an unsecured note payable agreement 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. All in-person fundraising events

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were canceled for the six-month period ended June 30, 2021 and 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.

**9. LEGAL SETTLEMENT**

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. In September 2021, CMTA dismissed the lawsuit 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.