



CMT Research Foundation

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

CMT RESEARCH FOUNDATION, INC.
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JUNE 30, 2022 AND 2021

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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, 2022 and 2021, and the related statements of activities and net assets, functional expenses and cash flows for the year ended June 30, 2022 and the six-month period ended June 30, 2021, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CMT Research Foundation, Inc. and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CMT Research Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted

auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CMT Research Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CMT Research Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Jones and Kelb

July 31, 2023

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and equivalents	\$ 3,403,410	\$ 1,797,180
Contributions receivable	301,704	325,215
Prepaid expenses	10,585	-
Total current assets	3,715,699	2,122,395
LONG-TERM ASSETS		
Contributions receivable	200,000	-
Total assets	\$ 3,915,699	\$ 2,122,395

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 72,656	\$ 34,486
Deferred revenue	2,400	-
Total current liabilities	75,056	34,486
Total liabilities	75,056	34,486
NET ASSETS		
Without donor restrictions	379,298	1,208,040
With donor restrictions	3,461,345	879,869
Total net assets	3,840,643	2,087,909
Total liabilities and net assets	\$ 3,915,699	\$ 2,122,395

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 YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

	<u>Year Ended June 30, 2022</u>			<u>Six-Month Period Ended June 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT						
Contributions	\$ 646,354	\$ 3,577,106	\$ 4,223,460	\$ 128,428	\$ 85,000	\$ 213,428
Special event revenue	156,050	-	156,050	-	-	-
Less direct cost of special event	(84,984)	-	(84,984)	-	-	-
Convention revenue	54,632	-	54,632	3,470	-	3,470
Interest income	3,127	-	3,127	106	-	106
Total revenues and support	<u>775,179</u>	<u>3,577,106</u>	<u>4,352,285</u>	<u>132,004</u>	<u>85,000</u>	<u>217,004</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>995,630</u>	<u>(995,630)</u>	<u>-</u>	<u>666,548</u>	<u>(666,548)</u>	<u>-</u>
EXPENSES						
Program services	1,757,537	-	1,757,537	573,723	-	573,723
Management and general	165,888	-	165,888	74,104	-	74,104
Fundraising	676,126	-	676,126	206,741	-	206,741
Total expenses	<u>2,599,551</u>	<u>-</u>	<u>2,599,551</u>	<u>854,568</u>	<u>-</u>	<u>854,568</u>
CHANGE IN NET ASSETS	<u>(828,742)</u>	<u>2,581,476</u>	<u>1,752,734</u>	<u>(56,016)</u>	<u>(581,548)</u>	<u>(637,564)</u>
NET ASSETS						
Beginning of year	<u>1,208,040</u>	<u>879,869</u>	<u>2,087,909</u>	<u>1,264,056</u>	<u>1,461,417</u>	<u>2,725,473</u>
End of year	<u>\$ 379,298</u>	<u>\$ 3,461,345</u>	<u>\$ 3,840,643</u>	<u>\$ 1,208,040</u>	<u>\$ 879,869</u>	<u>\$ 2,087,909</u>

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

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

	<u>Year Ended June 30, 2022</u>				<u>Six-Month Period Ended June 30, 2021</u>			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Project expenses	\$ 1,051,922	\$ -	\$ -	\$ 1,051,922	\$ 343,485	\$ -	\$ -	\$ 343,485
Compensation	566,483	71,254	272,815	910,552	202,708	23,750	104,468	330,926
Meetings	41,323	1,524	202,654	245,501	5,000	-	826	5,826
Professional fees	61,826	59,991	44,714	166,531	19,573	33,529	29,550	82,652
Marketing	5,146	2,124	130,209	137,479	-	175	61,764	61,939
Office	3,810	11,467	21,611	36,888	695	6,251	9,996	16,942
Travel	13,132	8,643	3,412	25,187	-	941	80	1,021
Miscellaneous	13,895	1,312	711	15,918	2,262	1,027	57	3,346
Insurance	-	9,573	-	9,573	-	8,431	-	8,431
Total	<u>\$ 1,757,537</u>	<u>\$ 165,888</u>	<u>\$ 676,126</u>	<u>\$ 2,599,551</u>	<u>\$ 573,723</u>	<u>\$ 74,104</u>	<u>\$ 206,741</u>	<u>\$ 854,568</u>

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

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 4,049,371	\$ 813,428
Interest income received	3,127	106
Other income received	125,698	3,470
Project expenses	(1,033,174)	(318,758)
Compensation expenses	(913,786)	(327,692)
Marketing expenses	(120,349)	(63,654)
Meeting expenses	(256,086)	-
Professional fees expense	(166,531)	(85,222)
Travel expenses	(25,187)	(1,021)
Other operating expenses	(56,853)	(29,545)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	1,606,230	(8,888)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,606,230	(8,888)
CASH AND EQUIVALENTS, Beginning of period	1,797,180	1,806,068
	<hr/>	<hr/>
CASH AND EQUIVALENTS, End of period	\$ 3,403,410	\$ 1,797,180
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The accompanying notes to financial statements
are an integral part of these statements.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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. 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.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

E. 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.

F. 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, 2022 and 2021, no discount was recorded as the interest rates were not significant. At June 30, 2022, contributions receivable due more than one year from the Statement of Financial Position date were \$200,000. 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, 2022 and 2021, 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 convention ticket sales and fundraising events in the period the event occurs. Amounts received prior to the event are reported as deferred revenue. At June 30, 2022, the Organization had deferred convention revenue of \$2,400. The Organization had no deferred revenue at June 30, 2021.

G. 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.

H. 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, 2022 and 2021.

I. Subsequent events have been evaluated by management through July 31, 2023, the date these financial statements were available to be issued.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$ 3,915,699	\$ 2,122,395
Less those unavailable for general expenditures within one year due to:		
Purpose restrictions by donors	(2,959,641)	(879,869)
Time restrictions by donor	<u>(501,704)</u>	<u>-</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 454,354</u>	<u>\$ 1,242,526</u>

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

3. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions as of and for the year ended June 30, 2022 are summarized as follows:

<u>Restriction</u>	<u>June 30, 2021</u>	<u>Contributions</u>	<u>Releases</u>	<u>June 30, 2022</u>
Subject to specified purpose:				
CMT1A	\$ 493,951	\$ 3,054,038	\$ (588,348)	\$ 2,959,641
CMT2E	40,726	-	(40,726)	-
CMT1B	315,704	-	(315,704)	-
CMTX	24,488	10,500	(34,988)	-
CMT2A	5,000	10,864	(15,864)	-
Subject to specified time:				
Years 2022 - 2023	<u>-</u>	<u>501,704</u>	<u>-</u>	<u>501,704</u>
Total	<u>\$ 879,869</u>	<u>\$ 3,577,106</u>	<u>\$ (995,630)</u>	<u>\$ 3,461,345</u>

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

Restriction	December 31, 2020	Contributions	Releases	June 30, 2021
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	\$ 1,461,417	\$ 85,000	\$ (666,548)	\$ 879,869

4. CONCENTRATIONS

During the year ended June 30, 2022 and the six-month period ended June 30, 2021, three donors and one donor accounted for approximately 41% and 35% of revenues and support, respectively. Three donors and one donor accounted for approximately 86% and 85% of contributions receivable at June 30, 2022 and 2021, 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 \$1,348,000 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.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

7. 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.