



CMT Research Foundation

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

CMT RESEARCH FOUNDATION, INC.
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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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

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.

James and Kelb

April 24, 2024

CMT RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and equivalents	\$ 2,011,541	\$ 3,403,410
Certificates of deposit	585,820	-
Pledges receivable	815,704	301,704
Prepaid expenses	18,847	10,585
Total current assets	3,431,912	3,715,699
LONG-TERM ASSETS		
Pledges receivable, net	597,558	200,000
Total long-term assets	597,558	200,000
Total assets	\$ 4,029,470	\$ 3,915,699

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 93,706	\$ 72,656
Accrued expenses	80,428	-
Deferred revenue	87,167	2,400
Total current liabilities	261,301	75,056
Total liabilities	261,301	75,056
NET ASSETS		
Without donor restrictions	570,361	379,298
With donor restrictions	3,197,808	3,461,345
Total net assets	3,768,169	3,840,643
Total liabilities and net assets	\$ 4,029,470	\$ 3,915,699

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 JUNE 30, 2023 AND 2022

	2023			2022		
	<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	\$ 1,092,139	\$ 2,109,494	\$ 3,201,633	\$ 646,354	\$ 3,577,106	\$ 4,223,460
Special event revenue	302,410	-	302,410	156,050	-	156,050
Less direct cost of special event	(102,509)	-	(102,509)	(84,984)	-	(84,984)
Convention revenue	48,609	-	48,609	54,632	-	54,632
Interest income	80,039	-	80,039	3,127	-	3,127
Total revenues and support	<u>1,420,688</u>	<u>2,109,494</u>	<u>3,530,182</u>	<u>775,179</u>	<u>3,577,106</u>	<u>4,352,285</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,373,031</u>	<u>(2,373,031)</u>	<u>-</u>	<u>995,630</u>	<u>(995,630)</u>	<u>-</u>
EXPENSES						
Program services	2,493,222	-	2,493,222	1,757,537	-	1,757,537
Management and general	354,224	-	354,224	165,888	-	165,888
Fundraising	755,210	-	755,210	676,126	-	676,126
Total expenses	<u>3,602,656</u>	<u>-</u>	<u>3,602,656</u>	<u>2,599,551</u>	<u>-</u>	<u>2,599,551</u>
CHANGE IN NET ASSETS	191,063	(263,537)	(72,474)	(828,742)	2,581,476	1,752,734
NET ASSETS						
Beginning 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>
End of year	<u>\$ 570,361</u>	<u>\$ 3,197,808</u>	<u>\$ 3,768,169</u>	<u>\$ 379,298</u>	<u>\$ 3,461,345</u>	<u>\$ 3,840,643</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 JUNE 30, 2023 AND 2022

	2023				2022			
	<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	\$ 1,835,388	\$ -	\$ -	\$ 1,835,388	\$ 1,051,922	\$ -	\$ -	\$ 1,051,922
Compensation	489,009	89,092	370,517	948,618	566,483	71,254	272,815	910,552
Meetings	13,558	59,297	202,568	275,423	41,323	1,524	202,654	245,501
Professional fees	81,181	96,075	67,752	245,008	61,826	59,991	44,714	166,531
Travel	46,628	64,676	12,662	123,966	13,132	8,643	3,412	25,187
Office	3,563	18,169	49,060	70,792	3,810	11,467	21,611	36,888
Marketing	3,820	14,627	46,845	65,292	5,146	2,124	130,209	137,479
Miscellaneous	20,075	1,354	5,806	27,235	13,895	1,312	711	15,918
Insurance	-	10,934	-	10,934	-	9,573	-	9,573
Total	<u>\$ 2,493,222</u>	<u>\$ 354,224</u>	<u>\$ 755,210</u>	<u>\$ 3,602,656</u>	<u>\$ 1,757,537</u>	<u>\$ 165,888</u>	<u>\$ 676,126</u>	<u>\$ 2,599,551</u>

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 JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 2,290,075	\$ 4,049,371
Interest income received	80,039	3,127
Other income received	425,004	125,698
Project expenses	(1,880,388)	(1,033,174)
Compensation expenses	(878,863)	(913,786)
Marketing expenses	(82,422)	(120,349)
Meeting expenses	(283,685)	(256,086)
Professional fees expense	(242,882)	(166,531)
Travel expenses	(123,966)	(25,187)
Other operating expenses	(108,961)	(56,853)
Net cash (used in) provided by operating activities	(806,049)	1,606,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(585,820)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,391,869)	1,606,230
CASH AND EQUIVALENTS, Beginning of period	3,403,410	1,797,180
CASH AND EQUIVALENTS, End of period	\$ 2,011,541	\$ 3,403,410

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 JUNE 30, 2023 AND 2022

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 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.

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.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

F. The Organization records unconditional promises to give at fair value in the period made by donors, net of allowances for amounts estimated as uncollectible. Conditional promises are not included as support until the conditions are substantially met. Unconditional promises with payments due in future years, which are not otherwise restricted, are deemed to have an implied restriction to be used in the year the payment is due, and therefore, are reported as net assets with donor restrictions until the payment is due, unless the contribution is clearly intended to support activities of the current year or is received with restriction for perpetuity. All contributions are recorded as net assets without donor restrictions unless specifically restricted by the donor.

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received, which were approximately 4.13% to 4.34% for the year ended June 30, 2023. During the year ended June 30, 2022, no discount was recorded as the interest rates were not significant. Amortization of the discounts, if any, is included in contributions in the accompanying Statements of Activities and Net Assets.

G. 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, 2023 and 2022, 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 sponsorships and fundraising events in the period the event occurs. Amounts received prior to the event are reported as deferred revenue. At June 30, 2023 and 2022, the Organization had deferred convention revenue of \$87,167 and \$2,400, respectively.

H. The Organization enters into funding arrangements with academic and industry stakeholders for research projects in pursuit of a cure or more effective treatment for CMT. Some of the agreements include various repayment terms, royalty payments or equity investment upon development of a successful commercial product. It is the Organization's policy to recognize these transactions as project expenses at the date a payment is made.

I. 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.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

J. 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, 2023 and 2022.

K. Subsequent events have been evaluated by management through April 24, 2024, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets, at year end	\$ 4,010,623	\$ 3,905,114
Less those unavailable for general expenditures within one year due to:		
Purpose restrictions by donors	(1,787,046)	(2,959,641)
Purpose and time restrictions by donor	(1,010,762)	(240,704)
Time restrictions by donor	<u>(400,000)</u>	<u>(261,000)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 812,815</u>	<u>\$ 443,769</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. CERTIFICATES OF DEPOSIT

At June 30, 2023, the Organization had certificates of deposit totaling \$585,820 which mature within one year of the financial statement date. Interest rates for the certificates of deposit vary between 5.00% and 5.30%. All certificates of deposit are stated at cost, insured by the FDIC and are subject to penalty on early withdrawal. The Organization's intention is to hold all certificates of deposit until they mature.

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

4. PLEDGES RECEIVABLE

At June 30, 2023 and 2022, pledges receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 815,704	\$ 301,704
Receivable in one to five years	<u>650,000</u>	<u>200,000</u>
Total pledges receivable	1,465,704	501,704
Less discounts to net present value	<u>(52,442)</u>	<u>-</u>
Pledges receivable, net	<u><u>\$ 1,413,262</u></u>	<u><u>\$ 501,704</u></u>

5. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions as of and for the year ended June 30, 2023 are summarized as follows:

<u>Restriction</u>	<u>June 30, 2022</u>	<u>Contributions</u>	<u>Releases</u>	<u>June 30, 2023</u>
Subject to specified purpose:				
CMT1A	\$ 2,959,641	\$ 1,014,436	\$ (2,187,031)	\$ 1,787,046
CMT1B	-	25,000	(25,000)	-
Subject to specified purpose and time:				
CMT1A	110,000	780,058	(10,000)	880,058
CMT1B	130,704	-	-	130,704
Subject to specified time	<u>261,000</u>	<u>290,000</u>	<u>(151,000)</u>	<u>400,000</u>
Total	<u><u>\$ 3,461,345</u></u>	<u><u>\$ 2,109,494</u></u>	<u><u>\$ (2,373,031)</u></u>	<u><u>\$ 3,197,808</u></u>

CMT RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 purpose and time:				
CMT1A	-	110,000	-	110,000
CMT1B	-	130,704	-	130,704
Subject to specified time	-	261,000	-	261,000
Total	<u>\$ 879,869</u>	<u>\$ 3,577,106</u>	<u>\$ (995,630)</u>	<u>\$ 3,461,345</u>

6. CONCENTRATIONS

During the years ended June 30, 2023 and 2022, one donor and three donors accounted for approximately 31% and 41% of revenues and support, respectively. Two and three donors accounted for approximately 72% and 86% of contributions receivable at June 30, 2023 and 2022, respectively.

7. 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.

8. COMMITMENTS

The Organization has entered funding arrangements with future payments totaling approximately \$2,850,000 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.