

International Rett Syndrome Foundation (dba Rettsyndrome.org)

**Financial Statements
December 31, 2020 and 2019, and
Independent Auditors' Report**

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)
December 31, 2020 and 2019**

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Independent Auditors' Report

To the Board of Trustees
International Rett Syndrome Foundation
Cincinnati, Ohio

We have audited the accompanying financial statements of International Rett Syndrome Foundation (dba Rettsyndrome.org) (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, 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 of 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 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 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 International Rett Syndrome Foundation (dba Rettsyndrome.org) 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.



May 3, 2021
Cincinnati, Ohio

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,673,394	\$ 2,477,679
Investments	3,313,109	3,302,434
Pledges receivable, net	188,484	310,910
Prepays and other assets	107,005	147,472
Total assets	\$ 6,281,992	\$ 6,238,495
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 246,321	\$ 143,844
Grants payable to researchers, net	412,703	1,809,368
Total liabilities	659,024	1,953,212
 Net Assets		
Without donor restrictions	4,127,539	2,741,682
With donor restrictions	1,495,429	1,543,601
Total net assets	5,622,968	4,285,283
Total liabilities and net assets	\$ 6,281,992	\$ 6,238,495

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Special events	\$ 1,059,003	\$ -	\$ 1,059,003	\$ 1,724,826	\$ -	\$ 1,724,826
Contributions and grants	2,647,394	25,152	2,672,546	3,280,486	58,069	3,338,555
Paycheck Protection Program (PPP) grant	137,300	-	137,300	-	-	-
In-kind revenue	12,900	-	12,900	12,900	-	12,900
Other income	4,946	1,592	6,538	4,697	2,663	7,360
Investment return (loss), net	(112,991)	135,634	22,643	299,357	191,921	491,278
Released from restriction	210,550	(210,550)	-	331,492	(331,492)	-
Total revenues	3,959,102	(48,172)	3,910,930	5,653,758	(78,839)	5,574,919
Operating expenses	2,573,245	-	2,573,245	3,330,911	-	3,330,911
Change in net assets	1,385,857	(48,172)	1,337,685	2,322,847	(78,839)	2,244,008
Net assets, beginning of year	2,741,682	1,543,601	4,285,283	418,835	1,622,440	2,041,275
Net assets, end of year	\$ 4,127,539	\$ 1,495,429	\$ 5,622,968	\$ 2,741,682	\$ 1,543,601	\$ 4,285,283

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Statement of Functional Expenses
Year Ended December 31, 2020**

	<u>Program</u>			<u>Administration</u>	<u>Fundraising</u>			<u>Total</u>
	<u>Research</u>	<u>Family Empowerment & Education</u>	<u>Total</u>		<u>Appeals and General</u>	<u>Direct Special Events</u>	<u>Total</u>	
Personnel related costs	\$ 400,847	\$ 428,219	\$ 829,066	\$ 118,062	\$ 56,858	\$ -	\$ 56,858	\$ 1,003,986
Direct program costs	806,317	-	806,317	-	-	-	-	806,317
Outside services	46,828	73,531	120,359	23,192	76,406	-	76,406	219,957
Professional fees	92,653	53,039	145,692	38,756	23,218	2,677	25,895	210,343
Special events costs	-	-	-	-	3,300	124,295	127,595	127,595
Miscellaneous costs	6,291	8,596	14,887	25,947	53,755	-	53,755	94,589
Office costs	21,927	24,522	46,449	4,029	21,657	5,880	27,537	78,015
Travel and entertainment	17,636	1,907	19,543	-	-	-	-	19,543
Occupancy costs	-	-	-	12,900	-	-	-	12,900
	<u>\$ 1,392,499</u>	<u>\$ 589,814</u>	<u>\$ 1,982,313</u>	<u>\$ 222,886</u>	<u>\$ 235,194</u>	<u>\$ 132,852</u>	<u>\$ 368,046</u>	<u>\$ 2,573,245</u>

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Statement of Functional Expenses
Year Ended December 31, 2019**

	<u>Program</u>			<u>Administration</u>	<u>Fundraising</u>			<u>Total</u>
	<u>Research</u>	<u>Family Empowerment & Education</u>	<u>Total</u>		<u>Appeals and General</u>	<u>Direct Special Events</u>	<u>Total</u>	
Personnel related costs	\$ 266,168	\$ 398,245	\$ 664,413	\$ 96,197	\$ 51,261	\$ -	\$ 51,261	\$ 811,871
Direct program costs	1,413,091	-	1,413,091	-	-	-	-	1,413,091
Outside services	31,453	50,174	81,627	30,340	106,141	-	106,141	218,108
Professional fees	70,614	10,233	80,847	33,973	13,660	-	13,660	128,480
Special events costs	-	-	-	-	7,644	433,070	440,714	440,714
Miscellaneous costs	2,542	14,346	16,888	40,708	57,941	-	57,941	115,537
Office costs	5,323	29,802	35,125	7,980	28,486	-	28,486	71,591
Travel and entertainment	72,093	39,990	112,083	5,895	641	-	641	118,619
Occupancy costs	-	-	-	12,900	-	-	-	12,900
	<u>\$ 1,861,284</u>	<u>\$ 542,790</u>	<u>\$ 2,404,074</u>	<u>\$ 227,993</u>	<u>\$ 265,774</u>	<u>\$ 433,070</u>	<u>\$ 698,844</u>	<u>\$ 3,330,911</u>

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 1,337,685	\$ 2,244,008
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments	33,538	(421,441)
Bad debt expense (recoveries)	(1,500)	1,000
Change in:		
Pledges receivable	123,926	254,846
Prepays and other assets	40,467	215,800
Accounts payable and accrued liabilities	102,477	(305,870)
Grants payable to researchers	(1,396,665)	(1,207,576)
Net cash provided by operating activities	239,928	780,767
Cash flows from investing activities		
Purchases of investments	(2,304,378)	(2,123,163)
Sales of investments	2,260,165	1,933,013
Net cash used in investing activities	(44,213)	(190,150)
Change in cash and cash equivalents	195,715	590,617
Cash and cash equivalents, beginning of year	2,477,679	1,887,062
Cash and cash equivalents, end of year	\$ 2,673,394	\$ 2,477,679

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

International Rett Syndrome Foundation (dba Rettsyndrome.org) (IRSF) was founded as a not-for-profit organization in 1999 as The Rett Syndrome Research Foundation under the laws of the State of Ohio. The name was changed to International Rett Syndrome Foundation on July 1, 2007 when the organization was merged with International Rett Syndrome Association (IRSA) and commenced operations as IRSF. IRSF's mission is to fund research for treatments and a cure for Rett syndrome while enhancing the overall quality of life for those living with Rett syndrome by providing information, programs, and services. IRSF's revenue consists primarily of private donations in order to fund research grants and provide education.

International Rett Syndrome Foundation operates the following programs:

- **Research programs** include activities focused on finding a treatment and cure for Rett Syndrome and include items such as research grants, new studies/transitional research, medical symposiums and support of Natural History Study Clinics.
- **Family empowerment and education programs** includes activities focused on enhancing the overall lives of those afflicted with Rett Syndrome and their families and includes items such as an 800 phone number, regional representatives and family advisory boards. Additionally, these programs include activities focused on providing information about and raising awareness of Rett Syndrome and includes activities such as the website, newsletters, and an annual family conference.
- **Administrative and general** include operating activities such as corporate, executive, finance and human resource activities.
- **Appeals and General** includes activities of fundraising such as general contributions and appeals, fundraising office costs and personnel.
- **Direct Special Events** include activities of specific fundraising events such as dinners, parties, golf outings and strollathons.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). IRSF is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Notes to Financial Statements
(Continued)**

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Under applicable GAAP for fair value measurements and disclosures, a three-level hierarchy is established for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets; Level 2 – Inputs are observable quoted prices for similar assets in active markets; Level 3 – Inputs are unobservable and reflect management's best estimates of what market participants would use as fair value.

Cash and Cash Equivalents

IRSF considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of a money market deposit account. IRSF maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. IRSF has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Investments and Investment Return

Investments in money market funds and debt securities are carried at fair value. Investments in certificates of deposit are carried at amortized cost. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenues with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities as revenues with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. IRSF's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Grants Payable to Researchers

Grants payable to researchers is comprised of research and post-doctoral grants approved by the Board of Trustees but not yet distributed. Grants payable extended over a year as of December 31, 2019 were recorded at their fair value and reported as liabilities in accordance with applicable GAAP for not-for-profit entities which is estimated by discounting using rates less than two percent. IRSF amended their grant agreements awarded in 2020 to trigger quarterly payments once projects are reviewed by IRSF and successful milestones have been met. IRSF also has the right to withdraw or modify the amount awarded based on a review of each project's status and results. Accordingly, grants awarded in 2020 have been recognized as conditional contributions in accordance with FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and are recognized as a payable and expense once the quarterly payments have been approved by IRSF. Grants payable as of December 31, 2020 represent the remaining balance due on grants awarded using the old language, which were considered unconditional promises to give and recognized as a payable and expense in the period the grants were awarded.

**INTERNATIONAL RETT SYNDROME FOUNDATION
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**Notes to Financial Statements
(Continued)**

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

IRSF records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. A gift that is originally restricted by the donor and for which the restriction is met in the same year that the gift is received is recorded as revenue without donor restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Donated Services

IRSF records donated services as revenues in the period received only if the services received create or enhance non-financial assets or required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In-kind Donations

IRSF receives certain in-kind donations during the year for special events costs as well as administrative expenses, which are recorded at fair value as contribution revenue and an expense in the financial statements. Generally, the in-kind special event costs represent donated items to be used as auction items for events.

Income Taxes

IRSF is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the IRSF is subject to federal income tax on any unrelated business taxable income.

IRSF's IRS Form 990 is subject to review and examination by federal and state authorities. IRSF believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION
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**Notes to Financial Statements
(Continued)**

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based on time and effort.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Event Evaluation

In preparing its financial statements, IRSF has evaluated events subsequent to the statement of financial position date through May 3, 2021, which is the date the financial statements were available to be issued.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2022.

IRSF is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

IRSF receives the majority of its funding through support without donor restrictions or support with donor restrictions spent in the same year; such support has historically represented approximately 90% of annual program funding needs, with the remainder funded by government grants, investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

IRSF considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during IRSF's fiscal year.

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)**

**Notes to Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

IRSF manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under the permanent that supports mission fulfillment will continue to be met, ensuring the sustainability of IRSF.

IRSF's Board of Directors meets regularly, and at least twice a year reviews and approves grant requests. Due to this timing, IRSF strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next year of expected payments for grant commitments approved by the Board, which typically represents approximately 50% of the expected annual cash needs.

The table below presents financial assets available for general expenditures within one year of December 31:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 2,673,394	\$ 2,477,679
Investments	3,313,109	3,302,434
Pledges receivable, net	188,484	310,910
	6,174,987	6,091,023
Less amounts not available to be used within one year:		
Investments held in endowments	(1,279,391)	(1,203,115)
Pledges receivable due after one year, net	(59,320)	(180,706)
	\$ 4,836,276	\$ 4,707,202

NOTE 3 INVESTMENTS AT FAIR VALUE

Investments at December 31 consisted of the following:

	2020	2019
Level 1:		
Mutual funds	\$ 1,433,246	\$ 1,332,169
Common stock	439,657	647,548
Level 2:		
Money market funds	483,476	294,945
Municipal bonds	956,730	1,027,772
	\$ 3,313,109	\$ 3,302,434

**INTERNATIONAL RETT SYNDROME FOUNDATION
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**Notes to Financial Statements
(Continued)**

NOTE 3 INVESTMENTS AT FAIR VALUE (CONTINUED)

Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions. Mutual funds and common stock are categorized using Level 1 inputs. Fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Money market funds and municipal bonds categorized using Level 2 inputs. There were no valuations using Level 3 inputs.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable at December 31 consisted of the following:

	2020	2019
Due within one year	\$ 129,164	\$ 130,204
Due in one to five years	63,900	125,000
Due in more than five years	-	63,900
	193,064	319,104
Less allowance for uncollectible pledges	(3,500)	(5,000)
Less discount on pledges receivable	(1,080)	(3,194)
	\$ 188,484	\$ 310,910

A discount rate of 1.720% was applied to long-term pledges receivable at December 31, 2020 and 2019.

NOTE 5 GRANTS PAYABLE TO RESEARCHERS

Grants payable at December 31 to researchers consisted of the following:

	2020	2019
Due in one year	\$ 412,703	\$ 1,496,546
Due in one to five years	-	319,763
	412,703	1,816,309
Less discounts on long-term grants	-	(6,941)
	\$ 412,703	\$ 1,809,368

A discount rate of 1.58% was applied to long-term grants payable at December 31, 2019.

During 2020, IRSF restructured their agreements with the sponsoring institutions so that payments are triggered quarterly once projects are reviewed by IRSF and successful milestones have been met. IRSF has the right to withdraw or modify the amount awarded based on review of each grant's status and results. Therefore, the additional, yet conditional amount owed is \$1,308,315 at December 31, 2020.

**INTERNATIONAL RETT SYNDROME FOUNDATION
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**Notes to Financial Statements
(Continued)**

NOTE 6 IN-KIND DONATIONS AND DONATED SERVICES

In-kind donations and donated services of \$12,900 relating to office space has been recorded as an expense for December 31, 2020 and 2019.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consisted of the following:

	2020	2019
Subject to the passage of time:		
For periods after December 31	\$ 5,164	\$ 6,690
Subject to expenditure for specified purpose:		
Research	187,900	312,414
Subject to spending policy and appropriations:		
Helen M. McLoraine Endowment Fund	1,279,391	1,203,115
Beneficial interest in perpetual trust	22,974	21,382
	\$ 1,495,429	\$ 1,543,601

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

	2020	2019
Research	\$ 12,652	\$ 46,221
Time restrictions expired	138,540	285,271
Endowment fund earnings appropriated	59,358	-
	\$ 210,550	\$ 331,492

NOTE 8 ENDOWMENTS

The Helen M. McLoraine Endowment Fund is a donor-restricted endowment fund established to provide general operating support. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The IRSF Board of Trustees follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not classified as endowment corpus is classified as accumulated earnings until those amounts are appropriated for expenditure by the Board of Trustees.

**INTERNATIONAL RETT SYNDROME FOUNDATION
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**Notes to Financial Statements
(Continued)**

NOTE 8 ENDOWMENTS (CONTINUED)

Endowment Net Asset Composition and Changes in Endowment Net Assets

The endowment net assets consist of donor contributors that are permanently restricted. The changes in these endowment net assets were as follows:

	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ 11,194	\$ 1,000,000	\$ 1,011,194
Investment loss, net	<u>191,921</u>	<u>-</u>	<u>191,921</u>
Endowment net assets, December 31, 2019	203,115	1,000,000	1,203,115
Investment return, net	135,634	-	135,634
Appropriated for expenditure	<u>(59,358)</u>	<u>-</u>	<u>(59,358)</u>
Endowment net assets, December 31, 2020	<u>\$ 279,391</u>	<u>\$ 1,000,000</u>	<u>\$ 1,279,391</u>

Investment Policy

Endowment assets include those assets of donor-restricted funds that IRSF must hold in perpetuity. In accordance with its Investment Policy, the Board of Trustees will select an Investment Manager who shall make reasonable efforts to control risk and maintain diversification among endowment assets to ensure preservation of the entire portfolio. To the extent possible, the endowment investment portfolio should be rebalanced on an on-going basis to within 5-10% of target percentages, as follows: 60-70% equity securities and mutual funds; 30-40% fixed income securities and mutual funds.

Spending Policy

In accordance with the endowment agreement, IRSF may withdrawal for general operating purposes up to 5% of the endowment each calendar year. An additional withdrawal of 5% may be authorized if a specific extraordinary opportunity arises that merits such additional distribution. However, the additional distribution may not cause the endowment value to fall below the original contribution amount. The value of the endowment shall be based on the average monthly value of the endowment as of the preceding 12 months of the prior calendar year, or otherwise calculated in accordance with Ohio law.

**INTERNATIONAL RETT SYNDROME FOUNDATION
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**Notes to Financial Statements
(Continued)**

NOTE 9 PAYCHECK PROTECTION PROGRAM (PPP) GRANT

On April 24, 2020, IRSF entered into a term note pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (CARES Act) Paycheck Protection Program (the Program) for \$137,300. All or a portion of the note may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balance will accrue at a fixed rate of 1.00%, but neither principal or interest are due and payable during the initial 6-month deferral period after issuance. After the initial 6-month deferral period expires, the outstanding principal balance that is not forgiven under the Program will convert to an amortizing loan payable in 18 equal installments of principal. On April 23, 2021, IRSF received notification from the bank that the loan was fully forgiven and used in accordance with the Program requirements. Accordingly, IRSF has elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the liability. In accordance with this guidance, the derecognition threshold for the liability is when the conditions of the Paycheck Protection Program are "substantially met" and occur on or before the statement of financial position date.

NOTE 10 SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. At December 31, 2020 and 2019, one donor and two donors represented substantially all of pledges receivable, respectively.

NOTE 11 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restricted measures have had a significant adverse impact upon many sectors of the economy, including the industries in which IRSF operates.

COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on IRSF's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which IRSF operates and the related impact on consumer confidence and spending, all of which are highly uncertain.