

International Rett Syndrome Foundation (dba Rettsyndrome.org)

**Financial Statements
December 31, 2021 and 2020, and
Independent Auditors' Report**

**INTERNATIONAL RETT SYNDROME FOUNDATION
(DBA RETTSYNDROME.ORG)
December 31, 2021 and 2020**

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Independent Auditors' Report

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

Opinion

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, 2021 and 2020, and the related statements of activities, 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 International Rett Syndrome Foundation as of December 31, 2021 and 2020, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Rett Syndrome Foundation and to meet our other 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 International Rett Syndrome Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 statement.

Independent Auditors' Report (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 International Rett Syndrome Foundation'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 International Rett Syndrome Foundation'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.

Barnes, Dennig & Co., Ltd.

April 13, 2022
Cincinnati, Ohio

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

**Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,208,154	\$ 2,673,394
Investments	3,896,852	3,313,109
Pledges receivable, net	273,701	188,484
Prepays and other assets	37,799	107,005
Total assets	\$ 7,416,506	\$ 6,281,992
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 111,701	\$ 246,321
Deferred revenue	138,775	-
Grants payable to researchers	1,135,511	412,703
Total liabilities	1,385,987	659,024
 Net Assets		
Without donor restrictions	4,360,641	4,127,539
With donor restrictions	1,669,878	1,495,429
Total net assets	6,030,519	5,622,968
Total liabilities and net assets	\$ 7,416,506	\$ 6,281,992

See accompanying notes to financial statements.

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

**Statements of Activities
Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Special events	\$ 1,213,041	\$ -	\$ 1,213,041	\$ 1,059,003	\$ -	\$ 1,059,003
Contributions and grants	2,741,873	100,000	2,841,873	2,647,394	25,152	2,672,546
Paycheck Protection Program (PPP) grant	133,350	-	133,350	137,300	-	137,300
In-kind revenue	12,900	-	12,900	12,900	-	12,900
Other income	250	3,645	3,895	4,946	1,592	6,538
Investment return (loss), net	429,117	156,968	586,085	(112,991)	135,634	22,643
Released from restriction	86,164	(86,164)	-	210,550	(210,550)	-
Total revenues	<u>4,616,695</u>	<u>174,449</u>	<u>4,791,144</u>	<u>3,959,102</u>	<u>(48,172)</u>	<u>3,910,930</u>
Operating expenses	<u>4,383,593</u>	<u>-</u>	<u>4,383,593</u>	<u>2,573,245</u>	<u>-</u>	<u>2,573,245</u>
Change in net assets	233,102	174,449	407,551	1,385,857	(48,172)	1,337,685
Net assets, beginning of year	<u>4,127,539</u>	<u>1,495,429</u>	<u>5,622,968</u>	<u>2,741,682</u>	<u>1,543,601</u>	<u>4,285,283</u>
Net assets, end of year	<u>\$ 4,360,641</u>	<u>\$ 1,669,878</u>	<u>\$ 6,030,519</u>	<u>\$ 4,127,539</u>	<u>\$ 1,495,429</u>	<u>\$ 5,622,968</u>

See accompanying notes to financial statements.

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

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Program			Administration	Fundraising			Total
	Research	Family Empowerment & Education	Total		Appeals and General	Direct Special Events	Total	
Personnel related costs	\$ 434,674	\$ 428,100	\$ 862,774	\$ 123,791	\$ 56,922	\$ -	\$ 56,922	\$ 1,043,487
Grants to researchers	2,264,305	-	2,264,305	-	-	-	-	2,264,305
Special events costs	1,633	-	1,633	-	1,639	313,913	315,552	317,185
Professional fees	181,568	18,232	199,800	35,818	50,410	1,367	51,777	287,395
Outside services	81,872	57,714	139,926	23,227	79,783	-	79,783	242,936
Miscellaneous costs	19,656	17,495	35,476	36,450	60,885	-	60,885	132,811
Office costs	8,117	18,575	27,656	2,549	20,503	5,880	26,383	56,588
Travel and entertainment	6,223	2,509	20,322	5,479	185	-	185	25,986
Occupancy costs	-	-	-	12,900	-	-	-	12,900
	\$ 2,998,048	\$ 542,625	\$ 3,551,892	\$ 240,214	\$ 270,327	\$ 321,160	\$ 591,487	\$ 4,383,593

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
Grants to researchers	806,317	-	806,317	-	-	-	-	806,317
Special events costs	-	-	-	-	3,300	124,295	127,595	127,595
Professional fees	92,653	53,039	145,692	38,756	23,218	2,677	25,895	210,343
Outside services	46,828	73,531	120,359	23,192	76,406	-	76,406	219,957
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)**

**Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 407,551	\$ 1,337,685
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments	(511,650)	33,538
Bad debt recoveries	-	(1,500)
Change in:		
Pledges receivable	(85,217)	123,926
Prepays and other assets	69,206	40,467
Accounts payable and accrued liabilities	(134,620)	102,477
Deferred revenue	138,775	-
Grants payable to researchers	722,808	(1,396,665)
	606,853	239,928
Net cash provided by operating activities	606,853	239,928
Cash flows from investing activities		
Purchases of investments	(1,351,740)	(2,304,378)
Sales of investments	1,279,647	2,260,165
	(72,093)	(44,213)
Net cash used in investing activities	(72,093)	(44,213)
Change in cash and cash equivalents	534,760	195,715
Cash and cash equivalents, beginning of year	2,673,394	2,477,679
Cash and cash equivalents, end of year	\$ 3,208,154	\$ 2,673,394

See accompanying notes to 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

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, 2021 and 2020, 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 was 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 and 2021 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.

Deferred Revenue

Deferred revenue consists of event sponsorships and registrations for future events.

**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, IRSF 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 April 13, 2022, 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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. 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 these ASUs 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.

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

**Notes to Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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.

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:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 3,208,154	\$ 2,673,394
Investments	3,896,852	3,313,109
Pledges receivable, net	273,701	188,484
	7,378,707	6,174,987
Less amounts not available to be used within one year:		
Investments held in endowments	(1,366,359)	(1,279,391)
Pledges receivable due after one year, net	(148,701)	(59,320)
	\$ 5,863,647	\$ 4,836,276

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

NOTE 3 INVESTMENTS AT FAIR VALUE

Investments at December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Level 1:		
Mutual funds	\$ 2,517,601	\$ 1,433,246
Common stock	825,372	439,657
Level 2:		
Money market funds	191,241	483,476
Municipal bonds	362,638	956,730
	<u>\$ 3,896,852</u>	<u>\$ 3,313,109</u>

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:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 125,000	\$ 129,164
Due in one to five years	125,000	63,900
Due in more than five years	26,900	-
	276,900	193,064
Less allowance for uncollectible pledges	-	(3,500)
Less discount on pledges receivable	(3,199)	(1,080)
	<u>\$ 273,701</u>	<u>\$ 188,484</u>

A discount rate of 1.87% and 1.72% was applied to long-term pledges receivable at December 31, 2021 and 2020, respectively.

NOTE 5 GRANTS PAYABLE TO RESEARCHERS

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. Grants payable to researchers due in one year is \$1,135,511 and \$412,703 at December 31, 2021 and 2020, respectively. The additional, yet conditional amount owed is \$1,106,121 and \$1,308,315 at December 31, 2021 and 2020, respectively.

**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, 2021 and 2020.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
For periods after December 31	\$ 276,900	\$ 187,900
Subject to expenditure for specified purpose:		
Research	-	5,164
Subject to spending policy and appropriations:		
Helen M. McLoraine Endowment Fund	1,366,359	1,279,391
Beneficial interest in perpetual trust	<u>26,619</u>	<u>22,974</u>
	<u>\$ 1,669,878</u>	<u>\$ 1,495,429</u>

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

	<u>2021</u>	<u>2020</u>
Research	\$ 5,164	\$ 12,652
Time restrictions expired	11,000	138,540
Endowment fund earnings appropriated	<u>70,000</u>	<u>59,358</u>
	<u>\$ 86,164</u>	<u>\$ 210,550</u>

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:

	Accumulated Earnings	Endowment Corpus	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, December 31, 2019	\$ 203,115	\$ 1,000,000	\$ 1,203,115
Investment loss, net	135,634	-	135,634
Appropriated for expenditure	<u>(59,358)</u>	<u>-</u>	<u>(59,358)</u>
Endowment net assets, December 31, 2020	279,391	1,000,000	1,279,391
Investment return, net	156,968	-	156,968
Appropriated for expenditure	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
Endowment net assets, December 31, 2021	<u>\$ 366,359</u>	<u>\$ 1,000,000</u>	<u>\$ 1,366,359</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 qualified for and received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act's from a qualified lender for an aggregate principal amount of \$137,300 (First Draw PPP loan). The note had a term of two years and was unsecured and guaranteed by the SBA. On April 15, 2021, IRSF entered into a second term note pursuant to the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act as part of the Program for \$133,500 (Second Draw PPP loan). The note had a term of two years and was unsecured and guaranteed by the SBA. All or a portion of both notes may be forgiven in accordance with the Program requirements. Interest on the outstanding principal balances will accrue based on the terms of each note at a fixed rate of 1.00%, but neither principal or interest were due or payable during the covered periods. After the covered periods expire, loan payments will be deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amounts to the lender.

IRSF elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the derecognition of the First Draw PPP loan and the Second Draw PPP loan. In accordance with this guidance, the derecognition threshold for the liabilities is when the conditions of the Program are "substantially met" and occur on or before the statement of financial position date. In April 2021 and December 2021, respectively, IRSF received notification from the SBA that the First Draw PPP loan and Second Draw PPP loan were fully forgiven, and the SBA remitted payment to the lender for the full outstanding principal and accrued interest amounts.

NOTE 10 RETIREMENT PLAN

Beginning January 1, 2021, IRSF has a 401(k) retirement plan covering all eligible employees. IRSF makes a matching contribution in an amount equal to 100% of the participants' contributions that are not in excess of 4% of the participant's compensation. Contributions for the year ended December 31, 2021 was \$6,555.

NOTE 11 SIGNIFICANT CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. At December 31, 2021 and 2020, two donors and one donor represented substantially all of pledges receivable, respectively.

NOTE 12 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.