

# **International Rett Syndrome Foundation (dba Rettsyndrome.org)**

**Financial Statements  
December 31, 2022 and 2021, and  
Independent Auditors' Report**

**INTERNATIONAL RETT SYNDROME FOUNDATION**  
**(DBA RETTSYNDROME.ORG)**  
**December 31, 2022 and 2021**

**Contents**

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	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16

## **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, 2022 and 2021, 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, 2022 and 2021, 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.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, International Rett Syndrome Foundations has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.



May 8, 2023  
Cincinnati, Ohio

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

**Statements of Financial Position  
December 31, 2022 and 2021**

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 2,146,458	\$ 3,208,154
Investments	4,024,819	3,896,852
Pledges receivable, net	168,369	273,701
Prepays and other assets	38,454	37,799
Right of use asset - operating lease	60,674	-
	<u>60,674</u>	<u>-</u>
Total assets	<u>\$ 6,438,774</u>	<u>\$ 7,416,506</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 193,216	\$ 111,701
Deferred revenue	-	138,775
Grants payable to researchers	1,718,223	1,135,511
Lease liability - operating lease	61,434	-
	<u>61,434</u>	<u>-</u>
Total liabilities	<u>1,972,873</u>	<u>1,385,987</u>
<b>Net Assets</b>		
Without donor restrictions	3,238,822	4,360,641
With donor restrictions	1,227,079	1,669,878
	<u>1,227,079</u>	<u>1,669,878</u>
Total net assets	<u>4,465,901</u>	<u>6,030,519</u>
Total liabilities and net assets	<u>\$ 6,438,774</u>	<u>\$ 7,416,506</u>

See accompanying notes to financial statements.

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

**Statements of Activities  
Years Ended December 31, 2022 and 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues:</b>						
Special events	\$ 1,235,654	\$ -	\$ 1,235,654	\$ 1,213,041	\$ -	\$ 1,213,041
Contributions, grants and industry	2,346,097	-	2,346,097	2,733,604	100,000	2,833,604
Conference registration and sponsorships	310,152	-	310,152	-	-	-
Paycheck Protection Program (PPP) grant	-	-	-	133,350	-	133,350
In-kind revenue	6,500	-	6,500	12,900	-	12,900
Other income	10,880	(5,061)	5,819	8,519	3,645	12,164
Investment return (loss), net	352,970	(223,748)	129,222	429,117	156,968	586,085
Released from restriction	213,990	(213,990)	-	86,164	(86,164)	-
	<u>4,476,243</u>	<u>(442,799)</u>	<u>4,033,444</u>	<u>4,616,695</u>	<u>174,449</u>	<u>4,791,144</u>
<b>Operating expenses</b>	<u>5,598,062</u>	<u>-</u>	<u>5,598,062</u>	<u>4,383,593</u>	<u>-</u>	<u>4,383,593</u>
<b>Change in net assets</b>	(1,121,819)	(442,799)	(1,564,618)	233,102	174,449	407,551
<b>Net assets, beginning of year</b>	<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>
<b>Net assets, end of year</b>	<u>\$ 3,238,822</u>	<u>\$ 1,227,079</u>	<u>\$ 4,465,901</u>	<u>\$ 4,360,641</u>	<u>\$ 1,669,878</u>	<u>\$ 6,030,519</u>

See accompanying notes to financial statements.

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

**Statement of Functional Expenses  
Year Ended December 31, 2022**

	<b>Program</b>				<b>Fundraising</b>			
	<b>Research</b>	<b>Family Empowerment &amp; Education</b>	<b>Total</b>	<b>Administration</b>	<b>Appeals and General</b>	<b>Direct Special Events</b>	<b>Total</b>	<b>Total</b>
Grants to researchers	\$ 2,672,303	\$ -	\$ 2,672,303	\$ -	\$ -	\$ -	\$ -	\$ 2,672,303
Personnel related costs	534,970	405,139	940,109	148,157	105,588	-	105,588	1,193,854
Conferences and travel	45,356	425,963	471,319	14,807	257	-	257	486,383
Outside services	184,765	88,177	272,942	38,782	116,188	8,025	124,213	435,937
Professional fees	194,900	22,060	216,960	43,322	31,637	6,888	38,525	298,807
Special events costs	-	-	-	-	29	293,764	293,793	293,793
Miscellaneous costs	6,567	7,230	13,797	30,019	61,482	-	61,482	105,298
Office costs	25,704	37,232	62,936	12,929	17,132	1,500	18,632	94,497
Occupancy costs	-	-	-	17,190	-	-	-	17,190
	<u>\$ 3,664,565</u>	<u>\$ 985,801</u>	<u>\$ 4,650,366</u>	<u>\$ 305,206</u>	<u>\$ 332,313</u>	<u>\$ 310,177</u>	<u>\$ 642,490</u>	<u>\$ 5,598,062</u>

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION  
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**Statement of Functional Expenses  
Year Ended December 31, 2021**

	<b>Program</b>				<b>Fundraising</b>			
	<b>Research</b>	<b>Family Empowerment &amp; Education</b>	<b>Total</b>	<b>Administration</b>	<b>Appeals and General</b>	<b>Direct Special Events</b>	<b>Total</b>	<b>Total</b>
Grants to researchers	\$ 2,264,305	\$ -	\$ 2,264,305	\$ -	\$ -	\$ -	\$ -	\$ 2,264,305
Personnel related costs	434,674	428,100	862,774	123,791	56,922	-	56,922	1,043,487
Conferences and travel	6,223	14,099	20,322	5,479	185	-	185	25,986
Outside services	81,872	58,054	139,926	23,227	79,323	-	79,323	242,476
Professional fees	181,568	18,232	199,800	35,818	50,870	2,592	53,462	289,080
Special events costs	1,633	-	1,633	-	1,639	312,688	314,327	315,960
Miscellaneous costs	19,656	15,820	35,476	36,450	60,885	-	60,885	132,811
Office costs	8,117	19,539	27,656	2,549	20,503	5,880	26,383	56,588
Occupancy costs	-	-	-	12,900	-	-	-	12,900
	<u>\$ 2,998,048</u>	<u>\$ 553,844</u>	<u>\$ 3,551,892</u>	<u>\$ 240,214</u>	<u>\$ 270,327</u>	<u>\$ 321,160</u>	<u>\$ 591,487</u>	<u>\$ 4,383,593</u>

See accompanying notes to financial statements.



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

**Statements of Cash Flows  
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,564,618)	\$ 407,551
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gains on investments	(81,569)	(511,650)
Non-cash lease expense	760	-
Change in:		
Pledges receivable	105,332	(85,217)
Prepays and other assets	(655)	69,206
Accounts payable and accrued liabilities	81,515	(134,620)
Deferred revenue	(138,775)	138,775
Grants payable to researchers	582,712	722,808
	<u>(1,015,298)</u>	<u>606,853</u>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchases of investments	(2,636,114)	(1,351,740)
Sales of investments	<u>2,589,716</u>	<u>1,279,647</u>
	<u>(46,398)</u>	<u>(72,093)</u>
<b>Net cash used in investing activities</b>		
<b>Change in cash and cash equivalents</b>	(1,061,696)	534,760
<b>Cash and cash equivalents, beginning of year</b>	<u>3,208,154</u>	<u>2,673,394</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,146,458</u></u>	<u><u>\$ 3,208,154</u></u>

See accompanying notes to financial statements.

**INTERNATIONAL RETT SYNDROME FOUNDATION  
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**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  
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**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, 2022 and 2021, 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. IRSF amended their grant agreements awarded in 2020 to trigger quarterly payments once projects are reviewed by IRSF and successful milestones have been met, and IRSF 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 2021 and 2022 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  
(DBA RETTSYNDROME.ORG)**

**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.

***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.

***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.

**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)**

***Effect of Adopting New Accounting Standards***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. IRSF adopted the standard effective January 1, 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 requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. This new standard, as amended, is to be applied retrospectively. IRSF adopted the standard on January 1, 2022. The standard did not have a material impact on the financial statements. IRSF has updated disclosures as necessary (see Note 6).

***Leases***

IRSF leases their office space. IRSF determines if an arrangement is a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, IRSF uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease term includes an option to extend or terminate the lease when it is reasonably certain that IRSF will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

***Subsequent Event Evaluation***

In preparing its financial statements, IRSF has evaluated events subsequent to the statement of financial position date through May 8, 2023, which is the date the financial statements were available to be issued.

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

**Notes to Financial Statements  
(Continued)**

**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.

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:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,146,458	\$ 3,208,154
Investments	4,024,819	3,896,852
Pledges receivable, net	<u>168,369</u>	<u>273,701</u>
	6,339,646	7,378,707
Less amounts not available to be used within one year:		
Investments held in endowments	(1,030,621)	(1,366,359)
Pledges receivable due after one year, net	<u>(143,369)</u>	<u>(148,701)</u>
	<u><u>\$ 5,165,656</u></u>	<u><u>\$ 5,863,647</u></u>

**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:

	2022	2021
<b>Level 1:</b>		
Mutual funds	\$ 2,604,400	\$ 2,517,601
Common stock	960,047	825,372
<b>Level 2:</b>		
Money market funds	152,527	191,241
Municipal bonds	307,845	362,638
	<u>\$ 4,024,819</u>	<u>\$ 3,896,852</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:

	2022	2021
Due within one year	\$ 25,000	\$ 125,000
Due in one to five years	125,000	125,000
Due in more than five years	24,900	26,900
	174,900	276,900
Less discount on pledges receivable	(6,531)	(3,199)
	<u>\$ 168,369</u>	<u>\$ 273,701</u>

A discount rate of 3.88% and 1.87% was applied to long-term pledges receivable at December 31, 2022 and 2021 respectively.

**NOTE 5 GRANTS PAYABLE TO RESEARCHERS**

Grant 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 \$1,718,223 and \$1,135,511 at December 31, 2022 and 2021, respectively. The additional, yet conditional amount owed is \$2,811,877 and \$1,106,121 at December 31, 2022 and 2021, respectively.

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

**Notes to Financial Statements  
(Continued)**

**NOTE 6 DONATED RENT**

Donated rent of \$6,500 and \$12,900 relating to office space has been recorded as revenue and an expense for December 31, 2022 and 2021, respectively. The value for the use of the space was calculated based upon recent independent real estate valuations for comparable properties. IRSF determined the average rental rate per square foot and multiplied by the square feet IRSF occupied within the space. The donated office space for 2022 and 2021 are without donor restrictions and was used for administrative purposes.

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2022	2021
Subject to the passage of time:		
For periods after December 31	\$ 174,900	\$ 276,900
Subject to spending policy and appropriations:		
Helen M. McLoraine Endowment Fund	1,030,621	1,366,359
Beneficial interest in perpetual trust	21,558	26,619
	<u>\$ 1,227,079</u>	<u>\$ 1,669,878</u>

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

	2022	2021
Endowment fund earnings appropriated	\$ 111,990	\$ 70,000
Time restrictions expired	102,000	11,000
Research	-	5,164
	<u>\$ 213,990</u>	<u>\$ 86,164</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
Endowment net assets, December 31, 2020	\$ 279,391	\$ 1,000,000	\$ 1,279,391
Investment loss, net	156,968	-	156,968
Appropriated for expenditure	<u>(70,000)</u>	<u>-</u>	<u>(70,000)</u>
Endowment net assets, December 31, 2021	366,359	1,000,000	1,366,359
Investment return, net	(223,748)	-	(223,748)
Appropriated for expenditure	<u>(111,990)</u>	<u>-</u>	<u>(111,990)</u>
Endowment net assets, December 31, 2022	<u><u>\$ 30,621</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 1,030,621</u></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.

**NOTE 9 PAYCHECK PROTECTION PROGRAM (PPP) GRANT**

On April 15, 2021, IRSF entered into a term note pursuant to the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act as part of the Program for \$133,500 (PPP loan). The note had a term of two years and was unsecured and guaranteed by the SBA. All or a portion of the note was forgiven in accordance with the Program requirements. Interest on the outstanding principal balance would 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 period expired, loan payments would be deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amounts to the lender.

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

**Notes to Financial Statements  
(Continued)**

**NOTE 9 PAYCHECK PROTECTION PROGRAM (PPP) GRANT (CONTINUED)**

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

**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, 2022 and 2021 was \$13,796 and \$6,555, respectively.

**NOTE 11 LEASES**

IRSF leases office space under a noncancellable operating lease. The lease has a duration of 62 months and contains a renewal option. IRSF applied a risk-free rate of 2.88% to determine the present value of the lease liability. The ROU asset obtained in exchange for the lease liability was \$67,175.

The components of the lease expense were as follows:

Operating lease expense	\$ 6,674
Variable lease expense	\$ 1,770

Future minimum lease payments under the noncancellable lease as of December 31, 2022 is as follows:

2023	\$ 13,459
2024	13,756
2025	14,060
2026	14,495
2027	10,057
	<hr/>
Total future minimum lease payments	65,827
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Less imputed interest	(4,393)
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Lease liability	\$ 61,434
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**NOTE 12 SIGNIFICANT CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. At December 31, 2022 and 2021, one donor and two donors represented substantially all of pledges receivable, respectively.