

Cure CMD
Financial Statements
As of and for the Years Ended
December 31, 2021 and 2020
and
Independent Auditor's Report

Cure CMD
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As of and for the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Cure CMD

Opinion

We have audited the accompanying financial statements of Cure CMD (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, 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 Cure CMD 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cure CMD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Cure CMD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cure CMD'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 Cure CMD'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.

Lawrence R. Mitchell & Company

Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation
El Segundo, California

July 27, 2022

Cure CMD
Statements of Financial Position
December 31, 2021 and 2020

Assets

Current assets:	2021	2020
Cash	\$ 869,394	\$ 787,920
Receivables	13,770	235,165
Total current assets	883,164	1,023,085
Property and equipment		
Property and equipment, net	-	-
Total assets	\$ 883,164	\$ 1,023,085

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 790	\$ 3,547
Grant awards payable	157,000	281,750
Accrued payroll related liabilities	15,349	21,275
Total current liabilities	173,139	306,572
Total liabilities	173,139	306,572
Net assets:		
Without donor restrictions	710,025	716,513
Total net assets	710,025	716,513
Total liabilities and net assets	\$ 883,164	\$ 1,023,085

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

Cure CMD
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	<u>Donor restrictions</u>		<u>Amount</u>
	<u>Without</u>	<u>With</u>	
Public support:			
Contributions and grants	\$ 587,731	\$ -	\$ 587,731
Revenue and other income:			
Investment loss, net	(243)	-	(243)
Net assets released from restrictions:			
Restrictions satisfied by payments	-	-	-
Total public support, revenue, and other income	587,488	-	587,488
Operating expenses:			
Program services	403,492		403,492
Support services:			
Management and general	95,372		95,372
Fundraising	95,112		95,112
Total support services	190,484	-	190,484
Total operating expenses	593,976	-	593,976
Net decrease in net assets	(6,488)	-	(6,488)
Net assets:			
Net assets, beginning of year	716,513	-	716,513
Net assets, end of year	\$ 710,025	\$ -	\$ 710,025

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

Cure CMD
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	<u>Donor restrictions</u>		<u>Amount</u>
	<u>Without</u>	<u>With</u>	
Public support:			
Contributions and grants	\$ 953,537	\$ -	\$ 953,537
Revenue and other income:			
Investment income, net	1,517	-	1,517
Net assets released from restrictions:			
Restrictions satisfied by payments	-	-	-
Total public support, revenue, and other income	955,054	-	955,054
Operating expenses:			
Program services	750,979	-	750,979
Support services:			
Management and general	68,203	-	68,203
Fundraising	44,764	-	44,764
Total support services	112,967	-	112,967
Total operating expenses	863,946	-	863,946
Net increase in net assets	91,108	-	91,108
Net assets:			
Net assets, beginning of year	625,405	-	625,405
Net assets, end of year	\$ 716,513	\$ -	\$ 716,513

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

Cure CMD
Statement of Functional Expenses
For the Years Ended December 31, 2021 and 2020

Description	Program Services	Mgt. & General	Fund Raising	Subtotal	Totals
<i>December 31, 2021</i>					
Grants awarded	\$ 54,209	\$ -	\$ -	\$ -	\$ 54,209
Payroll expenses	226,775	45,679	50,280	95,959	322,734
Professional fees	97,224	26,262	37,223	63,485	160,709
Insurance	2,860	5,506	-	5,506	8,366
Postage	-	878	842	1,720	1,720
Telephone	-	3,385	-	3,385	3,385
Supplies	354	11,562	920	12,482	12,836
Travel and meetings	19,445	-	-	-	19,445
Miscellaneous	2,625	2,100	5,847	7,947	10,572
Totals	<u>\$ 403,492</u>	<u>\$ 95,372</u>	<u>\$ 95,112</u>	<u>\$ 190,484</u>	<u>\$ 593,976</u>
	68%	16%	16%	32%	100%
<i>December 31, 2020</i>					
Grants awarded	\$ 380,014	\$ -	\$ -	\$ -	\$ 380,014
Payroll expenses	274,899	39,469	34,711	74,180	349,079
Professional fees	80,356	7,564	-	7,564	87,920
Occupancy	-	4,945	-	4,945	4,945
Advertising	9,960	-	-	-	9,960
Insurance	-	4,975	-	4,975	4,975
Postage	-	349	456	805	805
Printing	482	-	-	-	482
Telephone	-	3,921	-	3,921	3,921
Supplies	2,789	7,480	10	7,490	10,279
Travel and meetings	2,039	-	-	-	2,039
Miscellaneous	440	(500)	9,587	9,087	9,527
Totals	<u>\$ 750,979</u>	<u>\$ 68,203</u>	<u>\$ 44,764</u>	<u>\$ 112,967</u>	<u>\$ 863,946</u>
	87%	8%	5%	13%	100%

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

Cure CMD
Statements of Cash Flows
As of and for the Years Ended December 31, 2021 and 2020

Cash flows from operating activities:	2021	2020
Increase (Decrease) in net assets	\$ (6,488)	\$ 91,108
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Receivables	221,395	(174,411)
Increase (decrease) in:		
Accounts payable	(2,757)	2,504
Grant awards payable	(124,750)	183,750
Accrued payroll related liabilities	(5,926)	7,252
Total adjustments	87,962	19,095
Net cash provided by operating activities	81,474	110,203
Net increase in cash	81,474	110,203
Cash at beginning of year	787,920	677,717
Cash at end of year	\$ 869,394	\$ 787,920

Supplemental disclosures of cash flow information:

<i>Cash paid during year for:</i>		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

Cure CMD
Notes to the Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

1. Summary of significant accounting policies

This summary of significant accounting policies of Cure CMD (the Organization) is presented to assist in understanding the Organization's financial statements.

Nature of the Organization

The Organization was established in 2008 by three parents whose children have Congenital Muscular Dystrophy (CMD). The Organization's mission is to advance research toward treatments for CMD and improve the lives of those living with CMD through engagement and support of our community.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There were no cash equivalents at December 31, 2021 and 2020, respectively.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *With Donor Restrictions:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cure CMD
Notes to the Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

1. Summary of significant accounting policies (continued)

Net Assets (continued)

- *Without Donor Restrictions:* Net assets not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Restricted and unrestricted revenue and support

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Receivables

Contributions and grants receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2021 and 2020, there was no allowance for uncollectible receivables.

Credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and receivables.

Temporary cash investments

The Organization places its cash and temporary cash investments with high credit quality institutions. The balances in these accounts frequently exceed the FDIC federally insured amount of \$250,000. At December 31, 2021 and 2020, the Organization has no uninsured cash deposits, respectively.

Receivables

Credit risk with respect to receivables is also limited due to the fact that the Organization's interaction with government entities on a contractual basis.

Fair value measurements

The carrying amounts of the Organization's financial instruments, including cash, receivables, accounts payable, grant awards payable, and accrued and other current liabilities approximate their fair values due to their short-term nature.

Cure CMD
Notes to the Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

1. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost. The Organization's policy is to capitalize assets with a cost of \$1,000 or more, and with estimated useful lives in excess of one year.

Expenditures for major renewal and betterments that extend the useful lives of property and equipment are also capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in the statement of activities as a change in restricted or unrestricted net assets, as appropriate.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the lengths of the related leases or the estimated useful lives of the assets.

Depreciation expense is computed using the straight-line method over the respective estimated useful lives of assets, as follows:

Furniture and equipment	5 years
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Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization then reclassifies donor restriction net assets to without donor restrictions net assets at that time.

At December 31, 2021 and 2020, all property and equipment are fully depreciated.

Income tax status

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Cure CMD
Notes to the Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

1. Summary of significant accounting policies (continued)

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

The expenses that are allocated include the following:

Expense	Method of Allocation
Payroll related expenses	Time and effort

New accounting standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease.

However, unlike current GAAP—which requires only capital leases to be recognized on the statement of financial position—the new ASU will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted; however, the Organization has not yet made such election.

Subsequent events

The Organization has evaluated subsequent events through July 27, 2022, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

Cure CMD
Notes to the Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

2. Receivables

Following is a summary of receivables at December 31, 2021 and 2020:

	2021	2020
Grants and contributions receivable	\$ 13,770	\$ 235,165
Less: Allowance for bad debt	-	-
	\$ 13,770	\$ 235,165

3. Liquidity and reserves

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of September 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year.

	2021	2020
Cash	\$ 869,394	\$ 787,920
Receivables	13,770	235,165
Total financial assets	883,164	1,023,085
 Less: financial assets unavailable for general expenditure within one year due to purpose and time restrictions	 -	 -
 Financial assets available to meet cash needs for general general expenditure within one year	 \$ 883,164	 \$ 1,023,085