

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 14
SUPPLEMENTARY INFORMATION	
Consolidating Statements of Financial Position	15
Consolidating Statements of Revenue, Expenses and Changes in Net Assets	16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Myotonic Dystrophy Foundation and Affiliate
Oakland, California

Opinion

We have audited the accompanying consolidated financial statements of Myotonic Dystrophy Foundation (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myotonic Dystrophy Foundation and Affiliate 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Myotonic Dystrophy Foundation and Affiliate 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Myotonic Dystrophy Foundation and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Myotonic Dystrophy Foundation and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Myotonic Dystrophy Foundation and Affiliate'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 15 - 16 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Propp Christensen Caniglia LLP

June 26, 2023
Roseville, California

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 2,219,749	\$ 4,260,894
Cash and cash equivalents - operating reserve	1,500,000	1,500,000
Investments	3,012,396	-
Pledges receivable, current portion	794,266	698,745
Prepaid expenses and deposits	14,073	49,754
Total current assets	7,540,484	6,509,393
Pledges receivable, net of current portion	-	205,000
Operating right-of-use asset	33,170	-
Total assets	\$ 7,573,654	\$ 6,714,393

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,932	\$ 1,932
Accrued liabilities	62,568	61,211
Credit card liabilities	1,274	995
Grant obligations, current portion	1,239,350	923,118
Operating lease liability, current portion	25,084	-
Total current liabilities	1,330,208	987,256
Grant obligations, net of current portion	522,500	295,000
Operating lease liability, net of current portion	8,603	-
Total long-term liabilities	531,103	295,000
Total liabilities	1,861,311	1,282,256
Net assets:		
Without donor restrictions		
Undesignated	3,500,184	3,219,978
Designated for operating reserve	1,500,000	1,500,000
With donor restrictions	712,159	712,159
Total net assets	5,712,343	5,432,137
Total liabilities and net assets	\$ 7,573,654	\$ 6,714,393

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions - annual campaign	\$ 212,603	\$ 12,883	\$ 225,486
Contributions - major donors	750,283	39,000	789,283
Contributions - grassroots fundraising	53,008	-	53,008
Grant revenue	101,000	30,000	131,000
Major events	1,356,319	240,943	1,597,262
Net return on investments	19,757	-	19,757
Other income	81,786	-	81,786
Net assets released from restriction	322,826	(322,826)	-
Total revenue	2,897,582	-	2,897,582
Expenses:			
Program expenses:			
Care programs	836,306	-	836,306
Research programs	1,261,089	-	1,261,089
Advocacy and communications	167,960	-	167,960
Total program expenses	2,265,355	-	2,265,355
Management and general expenses	135,733	-	135,733
Fundraising expenses	200,993	-	200,993
Total expenses	2,602,081	-	2,602,081
Foreign currency remeasurement loss	(15,295)	-	(15,295)
Change in net assets	280,206	-	280,206
Net assets, beginning of year	4,719,978	712,159	5,432,137
Net assets, end of year	<u>\$ 5,000,184</u>	<u>\$ 712,159</u>	<u>\$ 5,712,343</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2022 and 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions - annual campaign	\$ 221,383	\$ 5,575	\$ 226,958
Contributions - major donors	611,164	198,500	809,664
Contributions - grassroots fundraising	88,292	425	88,717
Grant revenue	60,732	149,975	210,707
Government grants	4,149	82,700	86,849
Major events	1,003,983	-	1,003,983
Net return on investments	93	-	93
Other income	152,076	-	152,076
Net assets released from restriction	441,578	(441,578)	-
	<u>2,583,450</u>	<u>(4,403)</u>	<u>2,579,047</u>
Expenses:			
Program expenses:			
Care programs	362,721	-	362,721
Research programs	791,279	-	791,279
Advocacy and communications	143,623	-	143,623
	<u>1,297,623</u>	<u>-</u>	<u>1,297,623</u>
Total program expenses	1,297,623	-	1,297,623
Management and general expenses	148,979	-	148,979
Fundraising expenses	103,668	-	103,668
	<u>1,550,270</u>	<u>-</u>	<u>1,550,270</u>
Total expenses	1,550,270	-	1,550,270
Foreign currency remeasurement gain	16,839	-	16,839
Change in net assets	1,050,019	(4,403)	1,045,616
Net assets, beginning of year	3,669,959	716,562	4,386,521
Net assets, end of year	<u>\$ 4,719,978</u>	<u>\$ 712,159</u>	<u>\$ 5,432,137</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	Program Expenses						2022 Total
	Care Programs	Research Programs	Advocacy and Communication	Total Program	Management and General	Fundraising	
For the year ended December 31, 2022							
Grants	\$ 1,170	\$ 1,031,250	\$ -	\$ 1,032,420	\$ 1,600	\$ -	\$ 1,034,020
Conferences and meetings	377,812	1,095	-	378,907	1,248	60,182	440,337
Employee expenses	282,442	157,070	102,903	542,415	45,576	58,174	646,165
Program and administrative	31,035	8,870	1,162	41,067	16,465	32,477	90,009
Occupancy	10,733	5,953	3,895	20,581	2,232	2,205	25,018
Professional fees	133,114	56,851	60,000	249,965	68,612	47,955	366,532
Total expenses	<u>\$ 836,306</u>	<u>\$ 1,261,089</u>	<u>\$ 167,960</u>	<u>\$ 2,265,355</u>	<u>\$ 135,733</u>	<u>\$ 200,993</u>	<u>\$ 2,602,081</u>
	Program Expenses						2021 Total
	Care Programs	Research Programs	Advocacy and Communication	Total Program	Management and General	Fundraising	
For the year ended December 31, 2021							
Grants	\$ -	\$ 553,570	\$ -	\$ 553,570	\$ -	\$ -	\$ 553,570
Conferences and meetings	35,795	4,550	-	40,345	-	-	40,345
Employee expenses	241,490	136,217	84,970	462,677	96,217	46,194	605,088
Program and administrative	18,019	26,988	161	45,168	14,853	21,900	81,921
Occupancy	11,179	5,980	3,912	21,071	1,587	1,947	24,605
Professional fees	56,238	63,974	54,580	174,792	36,322	33,627	244,741
Total expenses	<u>\$ 362,721</u>	<u>\$ 791,279</u>	<u>\$ 143,623</u>	<u>\$ 1,297,623</u>	<u>\$ 148,979</u>	<u>\$ 103,668</u>	<u>\$ 1,550,270</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 280,206	\$ 1,045,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of operating right-of-use asset	15,889	-
Changes in operating assets and liabilities:		
Pledges receivable	109,479	(216,220)
Security deposit	35,681	5,533
Accounts payable	-	(1,535)
Accrued liabilities	1,357	27,047
Credit card liabilities	279	513
Grant obligations	543,732	68,505
Operating lease liability	<u>(15,372)</u>	<u>-</u>
Net cash provided by operating activities	<u>971,251</u>	<u>929,459</u>
Cash flows from investing activities:		
Purchase of investments	<u>(3,012,396)</u>	<u>-</u>
Change in cash and cash equivalents	(2,041,145)	929,459
Cash and cash equivalents, beginning of year	<u>5,760,894</u>	<u>4,831,435</u>
Cash and cash equivalents, end of year	<u>\$ 3,719,749</u>	<u>\$ 5,760,894</u>
Schedule of Non-Cash Operating Activities:		
Operating right-of-use asset and liability	<u>\$ 49,059</u>	<u>\$ -</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1: PURPOSE AND ORGANIZATION

Myotonic Dystrophy Foundation (MDF) (the "Foundation") was formed in 2006 as a non-profit public benefit corporation and is located in Oakland, California. The purpose of the Foundation is to engage in charitable, educational and scientific activities within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future United States internal revenue law that supports research to find a cure or acceptable treatment for myotonic dystrophy, supports those with the disease and their families, and educates the public about myotonic dystrophy.

Myotonic Dystrophy Foundation UK (MDF UK) (the "Affiliate"), was incorporated on August 28, 2014, under the Companies Act of 2006 in the United Kingdom and received its charity status in April 2015. The purpose of MDF UK is the preservation of health and the relief of sickness and need for the public benefit. This purpose is accomplished by supporting, commissioning or undertaking research into the prevention, treatment and cure of myotonic dystrophy conditions and publishing or disseminating the useful results of that research for public benefit; and by supporting other initiatives that provide or support the care and relief of sufferers of myotonic dystrophy conditions and their families.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Foundation and its affiliate have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Certain amounts in the 2021 financial statements have been reclassified, with no effect to net assets to conform to the 2022 financial statement presentation.

Basis of Consolidation

In determining the requirements for consolidation of related organizations, the Foundation follows the guidance provided in Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 810, *Not-for-Profit Entities – Consolidation* (FASB ASC 958-810). FASB ASC 958-810 requires consolidation of nonprofit organizations that are financially related to one another by means of ownership or control and economic interest. The Foundation is the sole member of MDF UK. The consolidated financial statements of the Foundation include the accounts of MDF UK, and all inter-organizational balances and transactions have been eliminated.

Basis of Presentation

The Foundation presents its consolidated financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASC 958-210, the Foundation is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations;

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses from operations are reported as changes in net assets without donor restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. However, donor-restricted contributions whose restrictions are met in the same reporting period have been reported as net assets without donor restrictions.

Description of Programs

The Foundation works internationally with stakeholder groups that include affected families, industry professionals, academic institutions, and government agencies to carry out comprehensive programming in three areas:

Care – Education, support, and resource program distribution through channels that include the MDF website, newsletters, annual conference, publications, research programs, industry and academic meetings, social media, and phone and in-person outreach.

Research – Funding and programs for basic, translational, and other research to advance disease understanding, accumulate additional data on disease genotype and phenotype, progression, severity and onset, and accelerate and expand therapy development efforts.

Advocacy and Communication – Communication and programs with governmental funding and regulatory agencies, as well as social service and support agencies, to increase funding for myotonic dystrophy research, improve patient access to governmental services and support, and raise visibility of myotonic dystrophy with key audiences, including clinicians, researchers, industry, government, and the general public.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services, Supplies and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit – Revenue Recognition*, unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. The Foundation implements the guidance provided by ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, to provide a decision-making model to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The receivable for the remaining payments and the corresponding revenue are recognized concurrently. Management considers receivables as of December 31, 2022 and 2021, to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In accordance with the provisions of FASB ASC 606, the Foundation's other income received and exchange transactions are not recognized as revenues until the revenue is earned, which is at the time when the services are provided.

Cash and Cash Equivalents

The Foundation and its affiliate consider all short-term investments with an original maturity of less than three months and money funds to be cash equivalents.

Amounts of foreign currencies held at year-end are expressed in U.S. dollars using the exchange rates in effect on December 31, 2022 and 2021.

Investments

The Foundation and its affiliate held its investments in U.S. Treasury Notes and Bonds which were carried at fair market value. Related income and expenses and gain and losses are reported as net return on investment.

Fair Value Measurements

The Foundation uses the guidance provided by FASB ASC 820-10, which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Foundation's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The fair values of investments are based on unadjusted quoted market prices within active markets and are therefore valued at Level 1 of the fair value hierarchy. Interest, dividends, and investment fees are shown as net return on investments in the consolidated statements of activities.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and under Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for income taxes has been made. After they are filed, the Foundation's exempt organization returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

In April 2015, the Affiliate received its charity status from HM Revenue and Customs, and as of December 31, 2022 and 2021, was not required to file a tax return in the United States of America.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketing and Advertising

Marketing and advertising costs are expensed when incurred. The Foundation and its affiliate incurred advertising costs for the years ended December 31, 2022 and 2021, totaling \$3,395 and \$3,904, respectively.

Leases

Effective January 1, 2022, the Foundation adopted the provisions of FASB ASC 842 as revised by ASU 2016-02, *Leases*. The Foundation utilized the optional transition method which allows the Foundation to continue applying historical guidance in the comparative periods presented in the year of adoption. Accordingly, the Foundation's financial statements for the year ended December 31, 2021, are not adjusted for this change in accounting policy.

The Foundation elected to apply the following practical expedients permitting the Foundation not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of lease assets and lease liabilities on the balance sheet for all leases previously classified as operating leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The accounting treatment for financing leases, which were formerly referred to as capital leases, remains substantially unchanged. Management evaluated the Foundation's operations and noted no other leasing arrangement requiring adjustment.

Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 26, 2023, the date that the financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in multiple financial institutions in excess of the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. At December 31, 2022 and 2021, the uninsured balances were \$2,592,815 and \$4,422,228, respectively.

The Affiliate maintains its cash and cash equivalents in international financial institutions. Using the exchange rate in effect on December 31, 2022, the amount insured by the Financial Services Compensation Scheme was \$206,040, and the uninsured balance was \$536,985. Using the exchange rate in effect on December 31, 2021, the amount insured by the Financial Services Compensation Scheme and Depositors' Compensation Scheme was \$101,625 and \$67,750, respectively, and the uninsured balance was \$698,804.

The Foundation and its affiliate have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

Subsequent to year end, due to the regional banking industry crisis, the Foundation and its board of directors approved the transfer of uninsured bank deposits from First Republic Bank to a legally segregated custody account at Two Ocean Trust, a Publicly Chartered Trust Company, managed by a member of the board of directors. The Foundation's custody account is currently invested in US Treasuries and a US Government Money Market Mutual Fund managed by Northern Trust.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,219,749	\$ 4,260,894
Cash and cash equivalents - operating reserve	1,500,000	1,500,000
Investments	3,012,396	-
Pledges receivable, current portion	<u>794,266</u>	<u>698,745</u>
Financial assets	7,526,411	6,459,639
Less those unavailable for general expenditure within one year, due to purpose restrictions stipulated by donors	<u>(712,159)</u>	<u>(712,159)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 6,814,252</u>	<u>\$ 5,747,480</u>

NOTE 5: PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when the pledge is made and discounted to present value when applicable and material. The Foundation and its affiliate distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Pledges are expected to be realized in the following periods:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 794,266	\$ 698,745
One to two years	<u>-</u>	<u>205,000</u>
	<u>\$ 794,266</u>	<u>\$ 903,745</u>

NOTE 6: FAIR VALUE MEASUREMENT

Fair values of assets measured on a recurring basis at December 31, 2022, is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2022</u>				
US Treasury notes	<u>\$ 3,012,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,012,396</u>

NOTE 7: LEASE COMMITMENT

Operating Lease

The Foundation leases office space under operating lease. The lease term shall be for a period of two years commencing May 1, 2022 through April 30, 2024. Effective January 1, 2023, monthly rent will increase by the Consumer Price Index. Rental expense under the terms of the operating lease for the years ended December 31, 2022 and 2021, were \$25,018 and \$24,605, respectively.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 7: LEASE COMMITMENT (CONTINUED)

Operating Lease (Continued)

Future minimum lease payments and a reconciliation of undiscounted cash flows under operating lease liability at December 31, 2022, are as follows:

<u>Year ending December 31:</u>	
2023	\$ 26,040
2024	8,680
	<hr/>
Total undiscounted cash flows	34,720
Less: discount on lease liability	(1,033)
	<hr/>
Total operating lease liability	33,687
Less: operating lease liability, current portion	(25,084)
	<hr/>
Operating lease liability, less current portion	<u>\$ 8,603</u>

At December 31, 2022, operating lease right-of-use assets were \$33,170 and operating lease liabilities were \$33,687. Cash payments made on operating lease liabilities totaled \$16,584 for the year ended December 31, 2022. The weighted average remaining lease terms of operating leases is approximately 1.5 years. The Foundation elected to use the two-year risk-free rate of 4.29% in determining the lease liability.

NOTE 8: GRANT OBLIGATIONS

The Foundation and its affiliate enter into contracts to provide grant funding to various clinical and scientific research programs. Grants authorized and awarded but unpaid at year end are reported as liabilities. The following is a summary of grants authorized and payable at December 31, 2022, summarized by year in which the amounts are due:

<u>December 31:</u>	
2023	\$ 1,239,350
2024	522,500
	<hr/>
Total	<u>\$ 1,761,850</u>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021, are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Research-related activities	<u>\$ 712,159</u>	<u>\$ 712,159</u>

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The following schedule shows the amounts released and restricted within net assets with donor restrictions for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance of net assets with donor restrictions	\$ 712,159	\$ 716,562
Net assets with donor restrictions for research programs	82,883	234,500
Net assets with donor restrictions for care programs	239,943	119,975
Government grants (SBA PPP Loan)	-	82,700
Net assets released from restriction with qualifying expenditures	<u>(322,826)</u>	<u>(441,578)</u>
Ending balance of net assets with donor restrictions	<u>\$ 712,159</u>	<u>\$ 712,159</u>

NOTE 10: GOVERNMENT GRANTS

In March 2021, the Foundation was granted a loan from Community Reinvestment Fund, USA in the amount of \$82,700 under the Paycheck Protection Program ("PPP") as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The note and accrued interest were forgivable after eight weeks as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Foundation has substantially met the conditions of the loan and was approved for forgiveness on November 30, 2021. For the year ended December 31, 2021, the Foundation recognized the full \$82,700 as a conditional government grant on the consolidated statement of activities.

SUPPLEMENTARY INFORMATION

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022			2021	
	MDF USA	MDF UK	Eliminating Entry	Total	Total
Current assets:					
Cash and cash equivalents	\$ 1,476,724	\$ 743,025	\$ -	\$ 2,219,749	\$ 4,260,894
Cash and cash equivalents - operating reserve	1,500,000	-	-	1,500,000	1,500,000
Investments	3,012,396	-	-	3,012,396	-
Pledges receivable, current portion	794,128	138	-	794,266	698,745
Prepaid expenses and deposits	14,073	-	-	14,073	49,754
Total current assets	6,797,321	743,163	-	7,540,484	6,509,393
Pledges receivable, net of current portion	-	-	-	-	205,000
Operating right-of-use asset	33,170	-	-	33,170	-
Total assets	\$ 6,830,491	\$ 743,163	\$ -	\$ 7,573,654	\$ 6,714,393

LIABILITIES AND NET ASSETS

Current liabilities:					
Accounts payable	\$ 1,932	\$ -	\$ -	\$ 1,932	\$ 1,932
Accrued liabilities	62,568	-	-	62,568	61,211
Credit card liabilities	1,274	-	-	1,274	995
Grant obligations, current portion	866,250	373,100	-	1,239,350	923,118
Operating lease liability, current portion	25,084	-	-	25,084	-
Total current liabilities	957,108	373,100	-	1,330,208	987,256
Grant obligations, net of current portion	522,500	-	-	522,500	295,000
Operating lease liability, net of current portion	8,603	-	-	8,603	-
Total long term liabilities	531,103	-	-	531,103	295,000
Total liabilities	1,488,211	373,100	-	1,861,311	1,282,256
Net assets:					
Without donor restrictions					
Undesignated	3,130,121	370,063	-	3,500,184	3,219,978
Designated for operating reserve	1,500,000	-	-	1,500,000	1,500,000
With donor restrictions	712,159	-	-	712,159	712,159
Total net assets	5,342,280	370,063	-	5,712,343	5,432,137
Total liabilities and net assets	\$ 6,830,491	\$ 743,163	\$ -	\$ 7,573,654	\$ 6,714,393

See independent auditor's report.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2022 and 2021

	2022			2021	
	MDF USA	MDF UK	Eliminating Entry	Total	Total
Revenue:					
Contributions - annual campaign	\$ 204,082	\$ 21,404	\$ -	\$ 225,486	\$ 226,958
Contributions - major donors	789,283	-	-	789,283	809,664
Contributions - grassroots fundraising	53,008	-	-	53,008	88,717
Grant revenue	131,000	-	-	131,000	210,707
Government grants	-	-	-	-	86,849
Major events	1,597,262	-	-	1,597,262	1,003,983
Net return on investments	19,624	133	-	19,757	93
Other income	66,768	15,018	-	81,786	152,076
Total revenue	2,861,027	36,555	-	2,897,582	2,579,047
Expenses:					
Program expenses:					
Care programs	836,306	-	-	836,306	362,721
Research programs	1,261,089	-	-	1,261,089	791,279
Advocacy and communications	167,960	-	-	167,960	143,623
Total program expenses	2,265,355	-	-	2,265,355	1,297,623
Management and general expenses	111,837	23,896	-	135,733	148,979
Fundraising expenses	200,993	-	-	200,993	103,668
Total expenses	2,578,185	23,896	-	2,602,081	1,550,270
Foreign currency remeasurement gain	-	(15,295)	-	(15,295)	16,839
Change in net assets	282,842	(2,636)	-	280,206	1,045,616
Net assets, beginning of year	5,059,438	372,699	-	5,432,137	4,386,521
Net assets, end of year	<u>\$ 5,342,280</u>	<u>\$ 370,063</u>	<u>\$ -</u>	<u>\$ 5,712,343</u>	<u>\$ 5,432,137</u>

See independent auditor's report.