

MOEBIUS SYNDROME FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Moebius Syndrome Foundation

We have audited the accompanying financial statements of the **Moebius Syndrome Foundation** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Moebius Syndrome Foundation** as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2019 financial statements were reviewed by us, and our report thereon, dated June 17, 2020, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Kositzka, Wicks and Company

Alexandria, Virginia
September 15, 2021

Moebius Syndrome Foundation

Statements of Financial Position December 31,

(Audited)
2020

(Reviewed)
2019

Assets

Current assets

Cash and cash equivalents	\$ 34,712	\$ 375,279
Investments	1,553,870	1,449,068
Prepaid expenses	423	18,267
Total assets	<u>\$ 1,589,005</u>	<u>\$ 1,842,614</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 2,388	\$ 365
Grants payable, current portion	101,000	80,000
	<u>103,388</u>	<u>80,365</u>

Long-term liabilities

Grants payable	70,000	111,000
Total liabilities	<u>173,388</u>	<u>191,365</u>

Net assets

Without donor restrictions	1,413,617	1,650,249
With donor restrictions	2,000	1,000
Total net assets	<u>1,415,617</u>	<u>1,651,249</u>
Total liabilities and net assets	<u>\$ 1,589,005</u>	<u>\$ 1,842,614</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Moebius Syndrome Foundation

Statement of Activities for the year ended December 31, 2020 (Audited)

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions	\$ 64,075	\$ 2,150	\$ 66,225
Investment income, net	125,550	-	125,550
Other income	100	-	100
Net assets released from restrictions	1,150	(1,150)	-
	<u>190,875</u>	<u>1,000</u>	<u>191,875</u>
Expenses			
Program services			
Conference expenses	52,357	-	52,357
Research and support	324,070	-	324,070
Administrative expenses	46,165	-	46,165
Fundraising	4,915	-	4,915
	<u>427,507</u>	<u>-</u>	<u>427,507</u>
Change in net assets	(236,632)	1,000	(235,632)
Net assets, beginning of year	<u>1,650,249</u>	<u>1,000</u>	<u>1,651,249</u>
Net assets, end of year	<u>\$ 1,413,617</u>	<u>\$ 2,000</u>	<u>\$ 1,415,617</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Moebius Syndrome Foundation

Statement of Activities for the year ended December 31, 2019 (Reviewed)

	Without donor restrictions	With donor restrictions	Total
Revenue			
Conference income	\$ 4,848	\$ -	\$ 4,848
Contributions	186,707	1,000	187,707
Investment income, net	178,154	-	178,154
Other income	202	-	202
	<u>369,911</u>	<u>1,000</u>	<u>370,911</u>
Expenses			
Program services			
Conference expenses	98,509	-	98,509
Research and support	197,512	-	197,512
Administrative expenses	50,869	-	50,869
Fundraising	5,157	-	5,157
	<u>352,047</u>	<u>-</u>	<u>352,047</u>
Change in net assets	17,864	1,000	18,864
Net assets, beginning of year	1,632,385	-	1,632,385
Net assets, end of year	<u>\$ 1,650,249</u>	<u>\$ 1,000</u>	<u>\$ 1,651,249</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Moebius Syndrome Foundation

Statement of Functional Expenses for the year ended December 31, 2020 (Audited)

	Program expenses			Administrative	Fundraising	Total expenses
	Conference	Research and support	Total			
Administrative expenses	\$ 10,529	\$ 8,930	\$ 19,459	\$ 14,532	\$ -	\$ 33,991
Board expenses	328	1,073	1,401	3,000	-	4,401
Conference expenses	3,844	1,751	5,595	-	-	5,595
Insurance	-	-	-	1,407	-	1,407
Moebius Awareness Day	-	1,000	1,000	-	-	1,000
Computer expenses	200	5,900	6,100	-	-	6,100
Professional fees	-	-	-	14,500	-	14,500
Promotional marketing and newsletter	10,810	21,765	32,575	-	-	32,575
Research awards	-	234,344	234,344	-	-	234,344
Scholarships	-	10,000	10,000	-	-	10,000
Salaries	24,962	39,307	64,269	12,726	4,915	81,910
Travel	1,684	-	1,684	-	-	1,684
Total functional expenses	\$ 52,357	\$ 324,070	\$ 376,427	\$ 46,165	\$ 4,915	\$ 427,507

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Moebius Syndrome Foundation

Statement of Functional Expenses for the year ended December 31, 2019 (Reviewed)

	Program expenses			Administrative	Fundraising	Total expenses
	Conference	Research and support	Total			
Administrative expenses	\$ 3,381	\$ 2,496	\$ 5,877	\$ 10,679	\$ -	\$ 16,556
Board expenses	17,048	-	17,048	-	-	17,048
Conference expenses	25,530	-	25,530	-	-	25,530
Insurance	-	-	-	1,397	-	1,397
Moebius Awareness Day	-	1,030	1,030	-	-	1,030
Computer expenses	-	1,800	1,800	698	-	2,498
Professional fees	-	-	-	6,450	-	6,450
Promotional marketing and newsletter	21,477	-	21,477	-	-	21,477
Research awards	-	160,000	160,000	-	-	160,000
Scholarships	-	11,000	11,000	-	-	11,000
Salaries	27,480	20,115	47,595	31,395	5,157	84,147
Travel	3,593	1,071	4,664	250	-	4,914
Total functional expenses	\$ 98,509	\$ 197,512	\$ 296,021	\$ 50,869	\$ 5,157	\$ 352,047

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Moebius Syndrome Foundation

Statements of Cash Flows for the years ended December 31,	(Audited) 2020	(Reviewed) 2019
Cash flows from operating activities		
Change in net assets	\$ (235,632)	\$ 18,864
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized gains on investments	(109,839)	(151,161)
Receipt of donated securities	-	(5,075)
Proceeds from sales of donated securities	-	5,082
(Increase) decrease in operating assets		
Prepaid expenses	17,844	(18,267)
Increase (decrease) in operating liabilities		
Accrued expenses	2,023	(1,167)
Grants payable	(20,000)	49,000
Net cash used in operating activities	<u>(345,604)</u>	<u>(102,724)</u>
Cash flows from investing activities		
Proceeds from investments and (reinvestments)	<u>5,037</u>	<u>(29,966)</u>
Net cash (used in) provided by investing activities	<u>5,037</u>	<u>(29,966)</u>
Net change in cash and cash equivalents	(340,567)	(132,690)
Cash and cash equivalents, beginning of year	<u>375,279</u>	<u>507,969</u>
Cash and cash equivalents, end of year	<u>\$ 34,712</u>	<u>\$ 375,279</u>
Supplemental disclosure of cash flow information		
Noncash transactions		
Noncash stock contributions	<u>\$ -</u>	<u>\$ 5,075</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Moebius Syndrome Foundation

Notes to Financial Statements December 31, 2020 (Audited) and 2019 (Reviewed)

1. Organization

The Moebius Syndrome Foundation (the Foundation) is a 501(c)(3) nonprofit organization, founded in 1994. The Foundation strives to provide information and support to individuals with Moebius syndrome and their families, promote greater awareness and understanding of Moebius syndrome, and to advocate for scientific research to advance the diagnosis and treatment of Moebius syndrome and its associated conditions. The Foundation's revenue is generated from contributions and conferences. In 2020, the conferences were postponed due to the COVID-19 pandemic.

2. Significant accounting policies

Basis of accounting

The Foundation's financial statements are prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial statement presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows: *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. 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.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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.

The Foundation records conference revenue as an exchange transaction. The benefit is transferred when the conference occurs, at a point in time. Payments received before the event are recorded as deferred revenue.

Cash and cash equivalents

For purposes of the statements of cash flows, Moebius Syndrome Foundation considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. FDIC insurance is \$250,000 per depositor, per insured bank. At December 31, 2020, cash did not exceed the FDIC limit. Cash exceeded the FDIC limit by \$122,833 at December 31, 2019.

See independent auditor's report.

Moebius Syndrome Foundation

Notes to Financial Statements December 31, 2020 (Audited) and 2019 (Reviewed)

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, and external and direct internal investment expenses.

Income tax status

Moebius Syndrome Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Organization's exempt purpose is subject to taxation as unrelated business income. The Foundation had no unrelated business income for the years ended December 31, 2020 and 2019.

The material jurisdictions subject to potential examination by taxing authorities are the United States and Missouri. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Moebius Syndrome Foundation's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2017 through 2020.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses and grants payable. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries and administrative expenses.

Grants payable

Grants authorized but unpaid at year-end are reported as liabilities. Grants to be paid over the course of more than one year will be discounted based on the Foundation's borrowing rate determined by the timing of grant payments. Any discount recorded would be amortized and reported with the research awards on the statements of functional expenses. Management assessed the discount to be recorded for the years ended December 31, 2020 and 2019 and determined it was immaterial to the financial statements as a whole and therefore not reported.

See independent auditor's report.

Moebius Syndrome Foundation

Notes to Financial Statements December 31, 2020 (Audited) and 2019 (Reviewed)

3. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following assets at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 34,712	\$ 371,833
Investments	1,553,870	1,449,068
	<u>1,588,582</u>	<u>1,820,901</u>
Less amounts with restrictions	(2,000)	(1,000)
	<u>\$ 1,586,582</u>	<u>\$ 1,819,901</u>

The Foundation's goal is to maintain financial assets at a level equal to 90-180 days of their operating expenses.

4. Investments and fair value measurements

The Foundation maintains its investments at fair market value, based on quoted prices in active markets, and accordingly, recognizes the gains or losses that result from market fluctuations for the period in which fluctuations occur. Purchased investments are initially recorded at cost and donated investments at fair value on date of receipt. Unrealized gains and losses are included in the statements of activities.

Moebius Syndrome Foundation classifies its investment into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. consisted of the following for the years ended December 31, 2020 and 2019:

As of December 31, 2020	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 179,351	\$ -	\$ -	\$ 179,351
Bond funds	294,742	-	-	294,742
Equity funds	534,017	-	-	534,017
Exchange traded funds	545,760	-	-	545,760
	<u>\$ 1,553,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,553,870</u>

See independent auditor's report.

Moebius Syndrome Foundation

Notes to Financial Statements December 31, 2020 (Audited) and 2019 (Reviewed)

As of December 31, 2019	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 9,043	\$ -	\$ -	\$ 9,043
Bond funds	322,601	-	-	322,601
Equity funds	529,286	-	-	529,286
Exchange traded funds	588,137	-	-	588,137
	<u>\$ 1,449,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,449,068</u>

5. Revenue and revenue recognition

Contributions received are recorded as revenue with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Donor-restricted revenue is reported as an increase in net assets with donor restrictions. When a 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 statements of activities as net assets released from restrictions.

At December 31, 2020 and 2019, the Foundation had net assets with donor restrictions totaling \$2,000 and \$1,000, respectively, for sponsorship payments that were restricted by the sponsors for use for a future conference.

The Foundation records conference revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Foundation holds a large conference every other year and smaller one-day conferences in the off years. Amounts paid in advance for conferences are recognized in the period in which the conference is held.

The following table disaggregates the Foundation's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	2020	2019
Performance obligations satisfied at a point in time	<u>\$ -</u>	<u>\$ 4,848</u>

6. Grants payable

The Moebius Syndrome Foundation is committed to funding research into the cause of Moebius syndrome and its associated conditions, per the mission statement. As of 2020 the Foundation has provided research funding for six Research Symposiums (2007, 2010, 2012, 2014, 2016 and 2018) as well as numerous grants to researchers. Funding priorities of the Moebius Syndrome Foundation include:

- To advance the diagnosis, treatment, and/or quality of life of people with Moebius syndrome and its associated conditions.
- To promote sustainable and comprehensive programs of research focused on Moebius syndrome by providing "seed funds" for larger research programs and grant submissions to larger funding organizations.

In 2020, the Foundation awarded one new grant and continued payment on one previously awarded grant.

Hospital for Sick Children, Toronto, ON

In 2016, Gregory Borschel, MD and Ronald Zuker, MD were awarded \$124,000 to research the long-term outcomes of facial reanimation in young adults with Moebius syndrome. The final installment of \$31,000 will be paid in 2021.

See independent auditor's report.

Moebius Syndrome Foundation

Notes to Financial Statements December 31, 2020 (Audited) and 2019 (Reviewed)

Hospital for Sick Children, Toronto, ON

In 2020, Gregory Borschel, MD was awarded \$210,000 to research surgical treatment to enhance dynamic eyelid closure in patients with Moebius syndrome. Installments of \$70,000 will be paid in 2021 and 2022. Subsequent the year end, Dr. Borschel's research project was transferred and the final payment will be made to Riley Hospital for Children in Indiana.

7. Subsequent events

Moebius Syndrome Foundation assessed events occurring subsequent to December 31, 2020 through September 15, 2021, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. Due to the ongoing impact of COVID-19, the Foundation postponed all in-person events until 2022. No other events have occurred that would require adjustment to or disclosure in the financial statements.