

Solve ME/CFS Initiative

Audited Financial Statements

As of and for the Year Ended June 30, 2020

(With Comparative Summarized Financial Information as
of and for the Year Ended June 30, 2019)



Solve ME/CFS Initiative

Solve ME/CFS Initiative

Financial Statements
For the Year Ended June 30, 2020

Solve ME/CFS Initiative

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Independent Auditor's Report

To the Board of Directors
Solve ME/CFS Initiative
Glendale, California

I have audited the accompanying financial statements of Solve ME/CFS Initiative (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solve ME/CFS Initiative as of June 30, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. My opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The 2019 financial statements of Solve ME/CFS Initiative were audited by other auditors who, in their report dated November 2, 2019, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects as adjusted for the matter in the previous paragraph, with the audited financial statements from which it has been derived.

Lewis Sharpstone & Co.

Woodland Hills, California
February 22, 2022

Financial Statements

Solve ME/CFS Initiative
Statement of Financial Position
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	2020	2019 Restated
Assets		
Cash and cash equivalents	\$ 807,093	\$ 1,176,101
Investments	18,030	22,584
Contributions and grants receivable	1,596,763	140,038
Prepaid expenses and other assets	37,756	28,532
Property and Equipment, net	842	1,468
Total Assets	\$ 2,460,484	\$ 1,368,723
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 295,849	\$ 85,330
Total Liabilities	295,849	85,330
 Net Assets		
Without donor restrictions	2,076,605	1,127,742
With donor restrictions	88,030	155,651
Total Net Assets	2,164,635	1,283,393
Total Liabilities and Net Assets	\$ 2,460,484	\$ 1,368,723

See accompanying notes to financial statements

Solve ME/CFS Initiative

Statement of Activities Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

	2020			2019 Restated
	Without donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Contributions and grants	\$ 3,231,482	\$ 436,029	\$ 3,667,511	\$ 2,594,708
In-kind contributions	220,884	-	220,884	66,511
Investment and other income	2,229	(192)	2,037	1,586
Net assets released from restrictions	503,458	(503,458)	-	-
Total Revenue and Support	3,958,053	(67,621)	3,890,432	2,662,805
Expenses:				
Program services				
Research	1,411,747	-	1,411,747	852,262
Advocacy and communication	920,593	-	920,593	689,088
		-		
Total program services	2,332,340	-	2,332,340	1,541,350
Management and general	476,848	-	476,848	149,842
Fundraising	200,002	-	200,002	296,808
Total Expenses	3,009,190	-	3,009,190	1,988,000
Change in Net Assets	948,863	(67,621)	881,242	674,805
Net Assets, beginning of year – restated (Note 3)	1,127,742	155,651	1,283,393	608,588
Net Assets, end of year	\$ 2,076,605	\$ 88,030	\$ 2,164,635	\$ 1,283,393

See accompanying notes to financial statements

Solve ME/CFS Initiative
Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020						2019 Restated
	<u>Research</u>	<u>Advocacy and Communication</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 351,739	\$ 371,950	\$ 723,689	\$ 193,567	\$ 85,000	\$ 1,002,256	\$ 812,683
Employee benefits	35,976	36,768	72,744	60,718	20,150	153,612	69,251
Payroll taxes	19,638	20,362	40,000	29,539	13,895	83,434	66,124
Bank fees	2,845	3,003	5,848	4,547	1,920	12,315	11,520
Communication	-	122,616	122,616	1,275	-	123,8912	119,218
Contracted services	258,313	165,570	423,883	97,592	39,144	560,619	266,744
Development expenses	2,924	3,088	6,012	4,670	1,975	12,657	23,032
Grants and fellowships	354,217	-	354,217	-	-	354,217	223,500
Insurance	2,213	2,337	4,550	3,536	1,495	9,581	9,655
Information technology	7,000	36,329	43,329	635	-	43,964	38,009
Occupancy	16,409	17,332	33,741	26,212	11,081	71,034	56,556
Office	12,471	13,431	25,902	19,532	8,346	53,780	21,358
Printing and postage	8,704	86,354	95,058	24,178	12,409	131,645	109,916
Research activities	326,410	-	326,410	-	-	326,410	100,445
Travel and conferences	12,743	41,300	54,043	10,616	4,490	69,149	57,985
Depreciation	145	153	298	231	97	626	2,004
Total expenses	\$ <u>1,411,747</u>	\$ <u>920,593</u>	\$ <u>2,332,340</u>	\$ <u>476,848</u>	\$ <u>200,002</u>	\$ <u>3,009,190</u>	\$ <u>1,988,000</u>

See accompanying notes to financial statements

Solve ME/CFS Initiative

Statement of Cash Flows Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u> Restated
Cash flows from operating activities		
Change in net assets	\$ 881,702	\$ 674,805
Adjustments to reconcile change in net assets to net assets provided by operating activities		
Depreciation	626	2,004
Donated securities	-	(4,624)
Gains and losses on investments	719	(1,637)
Loss on sale of property and equipment	-	834
Changes in operating assets and liabilities		
Contributions and grants receivables	(1,456,725)	(140,038)
Prepaid expenses and other assets	(9,224)	(11,350)
Accounts payable and accrued expenses	210,519	(78,405)
Net cash (used in) provided by operating activities	<u>(372,843)</u>	<u>441,589</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	500
Proceeds from sales of investments	3,835	500
Net cash provided by investing activities	<u>3,835</u>	<u>1,000</u>
Change in cash	(369,008)	442,589
Cash - beginning of year	<u>1,176,101</u>	<u>733,512</u>
Cash - end of year	\$ <u>807,093</u>	\$ <u>1,176,101</u>

See accompanying notes to financial statements

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

NOTE 1: ORGANIZATION PROFILE

Solve ME/CFS Initiative (“Solve M.E.” or “Organization”) is a non-profit corporation whose purpose is to conquer Myalgic Encephalomyelitis/Chronic Fatigue Syndrome (ME/CFS). SOLVE M.E. works toward its mission for ME/CFS to be widely understood, diagnosable, curable and preventable by using strategies to stimulate research aimed at the early detection, objective diagnosis and effective treatment of ME/CFS through expanded public, private and commercial investment. Substantially all of SOLVE M.E.’s revenue is derived from contributions from donors and other interested parties and grants from foundations. On May 6, 2014, SOLVE M.E. changed its name from CFIDS Associations of America, Inc. to Solve ME/CFS Initiative. SOLVE M.E. relocated from Charlotte, North Carolina to Los Angeles, California in August 2014.

Key Accomplishments during the year ended June 30, 2020

A description of the SOLVE M.E.’s program objectives and summary of key accomplishments during the year ended June 30, 2020 follows:

Research Accomplishments

The most important accomplishment of the year was the Launch of the testing version of the You + ME Registry. It was developed with input from members of the community and experts over the past couple of years. You + ME collects health information from people living with ME/CFS and controls. The registry platform includes a web-based user portal that allows for easy data entry, while protecting participant privacy. After a person with ME/ CFS or someone without the disease (a control) registers on the website, they can complete surveys that capture their health history, quality of life, other diagnoses, treatments and outcomes. They can also use a tracking smartphone application (app) to capture their daily experience with the disease. The You + ME registry is the first of its kind to be used specifically for ME/CFS and will provide an unparalleled research platform. This database may identify triggers or causes of the diseases, subgroups of patients and ultimately may be used to develop diagnostics and treatments.

In Fall 2019, Solve M.E. announced it would fund seven studies in 2020 through the Ramsay program, welcoming over 30 investigators and collaborators, including a number of early career stage scientists. Over half of these research teams included a Principal Investigator (PI) leading an ME/CFS study for the first time. A Ramsay Network teleconference was hosted with presentations from National Institutes of Health (NIH).

The results of studies that received support from the Ramsay Grant Program were published in prestigious scientific journals. Bhupesh Prusty, PhD, Robert Naviaux, MD, PhD and an international team published findings in ImmunoHorizons that Human Herpesvirus 6 (HHV-6) could be driving cellular energy production problems in at least some people with ME/CFS. Carmen Scheibenbogen, MD, PHD published a genetic association study that suggests an association between autoimmunity genetic risk variants and people with infectious onset ME/CFS in Frontiers in Immunology.

Published ME/CFS Research: Two grant applications were submitted through the Congressionally Directed Medical Research Program (CDMRP) to use the registry data for research and to study the emerging COVID-19 crisis. This funding mechanism was made available for ME/CFS research as a result of our advocacy work.

Solve M.E. announced a partnership with the University of California, Los Angeles (UCLA) Iris Cantor Women’s Health Center to issue an ME/ CFS-specific funding announcement through their Annual Health Pilot Program. They have a demonstrated record obtaining large NIH grants as follow-on to the pilot projects – approximately \$27 million return on investment for \$1 million invested.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

Solve M.E. Chief Scientific Officer Dr. Sadie Whittaker presented on the YOU + M.E. Registry at the 6th Annual Science Conference held by the UK CFS/M.E. Research Collaborative (CMRC).

Advocacy and Engagement Accomplishments

As part of our ongoing efforts to increase funding for ME/CFS at the federal level, Solve M.E. added five national coalition and advocacy partnerships designed to accelerate our strategies to appropriate funds for ME/CFS medical research. As part of our expanded advocacy impact, Solve M.E. worked with our ME/CFS constituents to deliver 5,031 online messages to Congress. Together with expanded coalitions and communication programs, Solve M.E. worked to influence congressional appropriations actions and educate regarding paid family leave and telehealth legislation and Coronavirus legislation including dedicated relief for federally funded research.

The 4th Annual ME/CFS Advocacy week and Advocacy Day was moved to a virtual platform due to the coronavirus outbreak. 318 registered ME/CFS patient, caregivers, and supporters attended a record 245 meetings with members of U.S. Congress and their staff. In addition to sharing their personal experiences with ME/CFS, participants called on Congress to increase funding for biomedical research programs targeting COVID-19 patients who develop ME/CFS. Through Solve ME's new online action toolkit, 111 people took action on Twitter and the custom ME/CFS awareness GIF was viewed 109,846 times.

As part of the week's activities, Solve M.E. hosted the second annual EmPOWER M.E. patient education roundtable. This year's theme was, "How to Navigate Disability Insurance with ME/CFS". The webinar roundtable was livestreamed and is now available on the Solve M.E. YouTube channel. This year's event also featured online "office hours" afterwards where two EmPOWER M.E. panelists answered specific questions regarding disability claims and other issues.

Following advocacy educational presentations, community mobilization, and constituent meetings, several legislators took action to support people with ME/CFS, including Senator Ed Markey and Congressman Jamie Raskin.

Solve M.E. launched the inaugural cohort of the Community Advisory Council (CAC) with 14 community members and advocates from across the United States and Canada. The CAC is a volunteer working group that provides guidance and recommendations on numerous Solve M.E. programs. It serves as an inclusive partner platform to facilitate the input, dialogue, and collaborations with representatives of the ME/CFS community. In its first year, members of the CAC worked with Solve M.E. staff on issues related to ME/CFS advocacy, education, and engagement and were available to review applications for funding through the EmPOWER M.E. micro grant program.

Expansion of Solve M.E.'s advocacy education program continued by creating and staging 6 in-person and online medical and community education presentations designed to train the ME/CFS community on contacting representatives and effective modes of communicating key ME/CFS issues. Solve ME also created a new page on our website, "COVID-19 and the ME/CFS Community", to provide updates, information, and resources during the pandemic.

Solve ME/CFS Initiative
Notes to Financial Statements
June 30, 2020
(Comparative Totals - June 30, 2019)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis which recognizes income when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America ("GAAP")

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets without Donor Restrictions: - Net assets without donor restrictions are available for use as the discretion of the Board of Directors and management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets with Donor Restrictions: - Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Organization reports cash or other assets received as revenues 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 a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction. See Note 6 for more information on the composition of net assets with donor restrictions.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally excepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses as well as disclosure of any contingent assets and liabilities. Actual results could differ from those estimates.

Contributions and grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statement of activities as net assets released from restrictions.

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Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise has become unconditional.

Donated assets and services

Donations of assets such as investments are recorded as contributions at their estimated fair value at the date of the donation.

Donated services that require specialized skills are performed by people with those skills and would otherwise be purchased if not provided by the donation. Such services are recorded at fair value in the period received.

Investments

Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains and losses are reported as unrestricted income unless use of the earnings is restricted by the donor.

Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

The beneficial interest in the Foundation For The Carolinas ("FFTC") is stated at fair value. The Organization's primary input to determine this is the fair value as reported to it by FFTC.

Property and Equipment

Property and equipment items are stated at cost or at fair value at the date of donation, if contributed. Expenditures for acquisitions, renewals and betterments above \$2,000 are capitalized, whereas maintenance and repair costs are expensed as incurred. Depreciation is charged to expense over the estimated useful lives of the assets principally using accelerated methods. Estimated useful lives range as follows:

Furniture and fixtures	5 – 7 years
Computers and equipment	3 – 5 years

Long Lived Assets

The organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. An impairment loss is recognized when the estimated discounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. If impairment is indicated, the amount of the loss to be recorded is based on an estimate of the difference between the carrying amount and the fair value of the asset. Fair value is based upon discounted estimated cash flows expected to result from the use of the asset and its eventual disposition and other valuation methods.

There were no impairment charges during the years end of June 30, 2020 or 2019.

Research Grants

SOLVE M.E. awards grants for medical research projects in the field of ME/CFS. To ensure that the most worthy and promising research projects are funded, SOLVE M.E. periodically convenes a scientific advisory board that advises SOLVE M.E.'s executive committee of its board of directors. SOLVE M.E.'s executive committee, heavily

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

weighing the recommendations of this advisory committee, makes all funding decisions. Members of the scientific advisory board include internationally respected researchers and clinicians. Awards are booked as payables upon completion of required documentation by research investigators and their sponsoring organizations and are not recorded until the stipulations of the contracts are met.

Fair value

In determining the fair value of assets and liabilities, SOLVE M.E. utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. SOLVE M.E. determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

SOLVE M.E. may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by SOLVE M.E. to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. SOLVE M.E. had no assets or liabilities classified at NAV as a practical expedient during the year ended June 30, 2020 or 2019.

Functional Expense Allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefited. Grants and fellowships, research and meetings, and information technology are directly allocated to the function benefited. All other functional expenses are allocated on the basis of time and effort.

Income taxes

SOLVE M.E. is incorporated as a nonprofit voluntary health agency under the laws of the State of North Carolina and qualified to transact intrastate business in the State of California. Further, SOLVE M.E. is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and qualifies as a public charity under Code Sections 509(a)(1) and 170(b)(1)(A)(vi).

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary

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Notes to Financial Statements
June 30, 2020
(Comparative Totals - June 30, 2019)

at June 30, 2020. Generally, SOLVE M.E.'s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Credit Risk

SOLVE M.E. places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, in the normal course of business, such cash balances are in excess of the FDIC coverage limits, but management deems the risk of loss due to these concentrations to be minimal.

Funds held in investment accounts at securities brokerage firms are insured by the Securities Investors Protection Corporation (SIPC), cash up to \$250,000 and the investments in securities up to \$500,000. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. Conservative investment guidelines established by the Board of Directors govern SOLVE M.E.'s investments in securities to achieve diversification of the portfolio.

The Organization's beneficial interest in the Foundation For The Carolinas are uninsured.

Credit risk associated with receivables is considered to be limited due to high historic collection rates and because of the strong long-term relationships the Organization has with donors.

Coronavirus Impact

Since March 2020, the US economy is facing considerable uncertainty related to the impact of the COVID-19 virus. The Organization has taken steps to adapt its operations to the changing environment but may be adversely affected in the future on its ability to conduct its operations and raise funds. Management is currently evaluating the impact these uncertainties may have on future operations.

Significant Concentrations

Contributions Receivable: As of June 30, 2020, two donors accounted for approximately 88% of contributions receivable.

Support and Revenue: For the year ended of June 30, 2020, one donor accounted for approximately 30% of the Organization's total revenue and support.

Recent Accounting Pronouncements

In May 2014, The FASB issued ASU NO. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The deferred effective date, ASU 2014-09 will be effective for the Organization in its year ended June 30, 2021. Early adoption is permitted. The Organization is in the process of evaluating the impact of adoption on its financial statements.

On February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Organization

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

in its year ended June 30, 2023. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. The new guidance presents three key considerations for the not-for-profit to consider in order to determine what type of transaction transpired and how to account for the transaction. The effective date of this ASU for the Organization is for its year ended June 30, 2020. The Organization has adopted this pronouncement in its 2020 financial statements and the adoption had no effect on its financial statements.

NOTE 3: CORRECTION OF OPENING NET ASSETS

During the year ended June 30, 2020, SOLVE M.E. conducted a review of uncleared items from prior years in its primary checking account. It was determined that cash was overstated by \$65,682 as of June 30, 2019. The correction decreased cash and net assets without donor restriction as of June 30, 2019 by \$65,682 and the effect on the June 30, 2020 financial statements is as follows:

	<u>Total</u>	<u>Without Donor Restrictions</u>
Opening net assets as previously reported	\$ 1,349,075	1,193,424
Adjustment to correct cash	<u>(65,682)</u>	<u>(65,682)</u>
Opening net assets - restated	\$ <u>1,283,393</u>	<u>1,127,742</u>

NOTE 4: INVESTMENTS

Investments consist of a) marketable equity securities and b) a beneficial interest in a pooled investment fund with the Foundation For The Carolinas (FFTC).

The following tables presents investments that are measured at fair value on a recurring basis in the accompanying statement of financial position at June 30, 2020 and 2019:

2020	Asset Class	Level 1	Level 2	Level 3	Total
	Beneficial interest in FFTC	\$ -	\$ -	\$ 18,030	\$ 18,030
	Total	\$ -	\$ -	\$ 18,030	\$ 18,030

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Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

2019

Asset Class	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 4,025	\$ -	\$ -	\$ 4,025
Beneficial interest in FFTC	-	-	18,559	18,559
Total	\$ 4,025	\$ -	\$ 18,889	\$ 22,584

The following is a reconciliation of investments for which significant unobservable inputs (Level 3) were used in determining fair value:

	Beneficial interest in FFTC
Balance June 30, 2018	\$ 16,822
Purchases	937
Fees	(500)
Unrealized gain	1,300
Balance June 30, 2019	18,559
Purchases	-
Fees	(500)
Unrealized loss	(29)
Balance June 30, 2020	\$ 18,030

NOTE 5: PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 56,534	\$ 56,534
Computers and equipment	12,047	12,047
Less accumulated depreciation	68,581 (67,739)	68,581 (67,113)
	\$ 842	\$ 1,468

Depreciation expense for the years ended June 30, 2020 and 2019 was \$626 and \$2,004 respectively.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

NOTE 6: NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2020 and 2019 consisted entirely of undesignated net assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019:

	2020		2019
Perpetual in nature	\$ 18,030	\$	18,222
Research activities	-		81,518
Grant writing consulting fees	-		36,660
Advocacy	-		19,251
Restricted as to time	70,000		
Total net assets with donor restrictions	\$ 88,030	\$	155,651

NOTE 7: ENDOWMENT

The Organization's endowment (the "Fund") is held and managed by the Foundation For The Carolinas ("FFTC") under an agreement dated December 9, 1994. The Organization is the sole beneficiary of the Fund. The Fund is invested in accordance with FFTC's investment policy, makes an annual distribution to the Organization in accordance with its distribution policy and charges SOLVE M.E. administrative fees in accordance with its fees policy. Although this beneficial interest is not technically subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Organization has elected to follow the investment and distribution policies currently being followed by FFTC, which are in accordance with UPMIFA.

Return Objectives and Risk Parameters

It is the purpose of SOLVE M.E.'s endowment fund to secure the future of SOLVE M.E. and to support its programs and operations as designated by the Board. The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for SOLVE M.E.'s annual operating needs.

The primary investment objective of the endowment is to earn an average annual minimum nominal return of 6% to 8% per year. SOLVE M.E. considers itself a risk-averse investor. That is, among various investment alternatives with comparable expected returns, the preference is for those having the lowest risk.

Strategies Employed for Achieving Objectives

SOLVE M.E. manages its endowment on a total rate of return basis consisting of dividends, interest, and any net increase or decrease in market value of securities for the fiscal year, not favoring returns from one source over

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another. The funds are invested in the asset allocation strategy for long-term growth as recommended by the Foundation for the Carolina's Investment Committee. This diverse mix of investments seeks to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index).

Spending Policy and How the Investment Objectives Relate to Spending Policy

SOLVE M.E. has a policy governing the amount of endowment earnings that can be released annually for spending, consistent with the restrictions, if any, placed on the endowment by donors until those amounts are appropriated for expenditure under the annual spending policy. Amounts available for distribution from the fund are based upon 4.5% of the fund's average balance for the previous three years and are evaluated on an annual basis for prudence.

In establishing this policy, SOLVE M.E. considered the long-term expected return on its endowment. Accordingly, over the long term, SOLVE M.E. expects the current spending policy to allow its endowment to grow at an amount that will at least keep pace with expected inflation.

Change in endowment net assets for the year ended June 30, 2020 and 2019 consists of the following:

Balance in perpetual trust June 30, 2018	\$	17,422
Earnings		800
Distributions		<u>-</u>
Balance in perpetual trust June 30, 2019		18,222
Earnings		(192)
Distributions		<u>-</u>
Balance June 30, 2020	\$	<u>18,030</u>

NOTE 8: IN-KIND CONTRIBUTIONS

For the years ended June 30, 2020 and 2019, in-kind contributions were as follows:

	<u>2020</u>	<u>2019</u>
Contracted services	\$ -	\$ 13,878
Advocacy	-	51,268
Research	-	1,365
Legal services	160,884	-
Google advertising	<u>60,000</u>	<u>-</u>
Total in-kind contributions	\$ <u>220,884</u>	\$ <u>66,511</u>

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NOTE 9: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization monitors its financial assets available within one year of the balance sheet date for expenditures on a quarterly basis. As of June 30, 2020, the balance available is as follows:

Cash and cash equivalents	\$ 807,093
Investments at fair value	18,030
Contributions and grants receivable	<u>1,596,763</u>
 Total financial assets available	 2,421,886
 Less those unavailable for expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	<u>(88,030)</u>
 Financial assets available to meet cash needs for expenditures within one year	 \$ <u>2,333,856</u>

As part of the Organization's liquidity management the Organization prepares semi-annual cash requirement projections which are used to ensure that needed balances are liquid and available for payment of grants and general expenses in the near term. In addition, the Organization employs an extensive annual budgeting process and strategic planning process to ensure the Organization will continue to be poised to have funds available to pay grants and general expenses in the long term.

NOTE 10: EMPLOYEE BENEFIT PLAN

SOLVE M.E. sponsors a 403(b) retirement plan covering substantially all employees meeting certain service and age requirements. This retirement plan is a defined contribution plan with voluntary employee participation. In addition, SOLVE M.E. sponsors a health savings plan.

SOLVE M.E. matches 100% of employee contributions to the retirement and health savings plans, up to a combined total of 10%. For the year ended June 30, 2020 and 2019, SOLVE M.E. contributed \$33,212 and \$25,249 into the retirement plan and \$21,635 and \$17,586 into the health savings plan, respectively.

NOTE 10: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through February 22, 2022, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustments to or disclosures in these financial statements.