

Solve ME/CFS Initiative

Audited Financial Statements

As of and for the Year Ended June 30, 2021

(With Comparative Summarized Financial Information as
of and for the Year Ended June 30, 2020)



Solve ME/CFS Initiative

Solve ME/CFS Initiative

Financial Statements
For the Year Ended June 30, 2021

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, 2021, 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, 2021, 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.

Report on Summarized Comparative Information

I have previously audited Solve ME/CFS Initiative's June 30, 2020 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated February 22, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lewis Sharpstone & Co.

Woodland Hills, California
May 12, 2023

Financial Statements

Solve ME/CFS Initiative
Statement of Financial Position
June 30, 2021
(With Comparative Totals as of June 30, 2020)

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,295,849 | \$ 807,093 |
| Investments | 23,023 | 18,030 |
| Contributions and grants receivable | 394,576 | 1,596,763 |
| Prepaid expenses and other assets | 44,459 | 37,756 |
| Property and Equipment, net | 216 | 842 |
| Total Assets | \$ 1,758,123 | \$ 2,460,484 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 291,944 | \$ 295,849 |
| Total Liabilities | 291,944 | 295,849 |
| Net Assets | | |
| Without donor restrictions | 1,325,903 | 2,076,605 |
| With donor restrictions | 140,276 | 88,030 |
| Total Net Assets | 1,466,179 | 2,164,635 |
| Total Liabilities and Net Assets | \$ 1,758,123 | \$ 2,460,484 |

See accompanying notes to financial statements

Solve ME/CFS Initiative

Statement of Activities Year Ended June 30, 2021 (With Comparative Totals for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---------------------------------------|-------------------------------|----------------------------|---------------------|---------------------|
| | Without donor Restrictions | With Donor Restrictions | Total | Total |
| Revenue and Support: | | | | |
| Contributions and grants | \$ 1,585,979 | \$ 508,003 | \$ 2,093,982 | \$ 3,667,511 |
| In-kind contributions | 182,796 | - | 182,796 | 220,884 |
| Investment and other income | 1,348 | 4,993 | 6,341 | 2,037 |
| Net assets released from restrictions | 460,750 | (460,750) | - | - |
| Total Revenue and Support | 2,230,873 | 52,246 | 2,283,119 | 3,890,432 |
| Expenses: | | | | |
| Program services | | | | |
| Research | 1,009,680 | - | 1,009,680 | 1,411,747 |
| Advocacy and communication | 945,535 | - | 945,535 | 920,593 |
| | | - | | |
| Total program services | 1,955,215 | - | 1,955,215 | 2,332,340 |
| Management and general | 326,941 | - | 326,941 | 476,848 |
| Fundraising | 699,419 | - | 699,419 | 200,002 |
| Total Expenses | 2,981,575 | - | 2,981,575 | 3,009,190 |
| Change in Net Assets | (750,702) | 52,246 | (698,456) | 881,242 |
| Net Assets, beginning of year | 2,076,605 | 88,030 | 2,164,635 | 1,283,393 |
| Net Assets, end of year | \$ 1,325,903 | \$ 140,276 | \$ 1,466,179 | \$ 2,164,635 |

See accompanying notes to financial statements

Solve ME/CFS Initiative
Statement of Functional Expenses
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

| | 2021 | | | | | | 2020 |
|------------------------------|---------------------|---|------------------------------|---------------------------|-------------------|---------------------|---------------------|
| | Research | Advocacy, Communication, Long Covid Initiative | Total Program Services | Management and General | Fundraising | Total | Total |
| Salaries and wages | \$ 481,911 | \$ 352,779 | \$ 771,690 | \$ 131,612 | \$ 343,273 | \$ 1,246,575 | \$ 1,002,256 |
| Employee benefits | 34,029 | 27,354 | 61,383 | 49,229 | 32,399 | 143,011 | 153,612 |
| Payroll taxes | 28,142 | 22,509 | 50,651 | 23,532 | 18,556 | 92,739 | 83,434 |
| Bank fees | 4,688 | 4,326 | 9,014 | 3,775 | 3,177 | 15,966 | 12,315 |
| Communication | - | 43,820 | 43,820 | 190 | 400 | 44,410 | 123,891 |
| Contracted services | 91,303 | 164,469 | 255,772 | 24,787 | 216,771 | 497,330 | 288,764 |
| Grants and fellowships | 50,000 | - | 50,000 | - | - | 50,000 | 354,217 |
| Insurance | 3,520 | 3,248 | 6,768 | 2,834 | 2,385 | 11,987 | 9,581 |
| Occupancy | 15,241 | 14,064 | 29,305 | 12,272 | 10,327 | 51,904 | 71,034 |
| Office | 24,146 | 14,817 | 38,963 | 12,561 | 10,681 | 62,205 | 97,744 |
| Patient registry and biobank | 263,383 | - | 263,383 | - | - | 263,383 | - |
| Printing and postage | 20 | 107,206 | 107,226 | 7,214 | 60,875 | 175,315 | 131,645 |
| Professional fees | 75,998 | 151,696 | 227,694 | 58,352 | 374 | 286,420 | 284,512 |
| Research activities | - | - | - | - | - | - | 326,410 |
| Travel and conferences | 154 | 39,094 | 39,248 | 352 | 104 | 39,704 | 69,149 |
| Depreciation | 145 | 153 | 298 | 231 | 97 | 626 | 626 |
| Total expenses | \$ <u>1,009,680</u> | \$ <u>945,535</u> | \$ <u>1,955,215</u> | \$ <u>326,941</u> | \$ <u>699,419</u> | \$ <u>2,981,575</u> | \$ <u>3,009,190</u> |

See accompanying notes to financial statements

Solve ME/CFS Initiative

Statement of Cash Flows Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

| | 2021 | 2020 |
|---|---------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (698,456) | \$ 881,702 |
| Adjustments to reconcile change in net assets to net assets provided by operating activities | | |
| Depreciation | 626 | 626 |
| Gains and losses on investments | (4,993) | 719 |
| Changes in operating assets and liabilities | | |
| Contributions and grants receivables | 1,202,187 | (1,456,725) |
| Prepaid expenses and other assets | (6,703) | (9,224) |
| Accounts payable and accrued expenses | (3,905) | 210,519 |
| Net cash (used in) provided by operating activities | <u>488,756</u> | <u>(372,843)</u> |
| Cash flows from investing activities | | |
| Proceeds from sales of investments | <u>-</u> | <u>3,835</u> |
| Net cash provided by investing activities | <u>-</u> | <u>3,835</u> |
| Change in cash | 488,756 | (369,008) |
| Cash - beginning of year | <u>807,093</u> | <u>1,176,101</u> |
| Cash - end of year | \$ <u>1,295,849</u> | \$ <u>807,093</u> |

See accompanying notes to financial statements

Solve ME/CFS Initiative

Notes to Financial Statements

June 30, 2021

(Comparative Totals - June 30, 2020)

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.

Key Accomplishments during the year ended June 30, 2021

A description of the SOLVE M.E.’s program objectives and summary of key accomplishments during the year ended June 30, 2021 follows:

Research Accomplishments

In the fall of 2020, the Organization launched the You+ME Registry and Biobank, an open-source research tool it developed that is designed to help advance the research and development of diagnostics and treatments for ME/CFS. In December it added a cohort of people with Long Covid to the Registry. The Organization also provides scientific research grants for scientists and clinicians to find causes and ways to treat and cure post-infection diseases like ME/CFS and Long Covid. Cumulatively, the organization has funded 23 research projects, representing 60 researchers at 11 research centers and universities. In the fiscal year ended June 30, 2021 the organization monitored and supported grants previously made, and provided no-cost extensions due to COVID-19 limitations on laboratory research. The organization increased its visibility in this area and received more grant application than ever before for funding in FY 2022.

Advocacy and Engagement Accomplishments

The organization works with US Congress to increase funding for ME/CFS research by the National Institutes of Health (NIH), Center for Disease Control (CDC) and Department of Defense’s congressionally directed medical research program (CDMRP). During the year ended June 30, 2021, the organization authored 18 position statements and letters and constituents delivered 7,930 online information messages to members of Congress. In May 2021 681 advocates met with congressional offices at 334 meetings organized by the organization. In the face of growing concerns about people with COVID-19 who do not recover and develop a disease very similar to ME/CFS, the organization co-founded the Long Covid Alliance to collaborate on research, education and policy. Two members of the organization testified before the house subcommittee on health. The organization’s advocacy efforts, together with other organizations, helped congress to appropriate \$1.25 billion for long Covid research.

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.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

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 5 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, 2020, from which the summarized information was derived. Certain 2020 information has been reformatted to better align with the 2021 presentation.

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.

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.

Promises to give are recorded as contributions and grants receivable in the year the promise to give is made. A discount is recorded to account for the time value of the receivable, and a reserve for uncollectible pledges is also recorded based on an analysis of promises to pay and uncollectible amounts. As of June 30, 2021 and 2020, all pledges were expected to be received within one year, and were received. Accordingly, no discount or reserve was recorded.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

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 ended June 30, 2021 or 2020.

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 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.

Solve ME/CFS Initiative
Notes to Financial Statements
June 30, 2021
(Comparative Totals - June 30, 2020)

Substantial research grants were made during the year ended June 30, 2020. During the year ended June 30, 2021 SOLVE M.E. refocused its efforts into launching its patient registry and biobank.

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, 2021 or 2020.

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 at June 30, 2021. 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.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

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 and grants receivable: As of June 30, 2021, two donors accounted for approximately 64% of contributions receivable and 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. No such concentration existed for the year ended June 30, 2021.

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 is effective for the Organization in its year ended June 30, 2021. The Organization adopted this accounting pronouncement, and the adoption had no effect on its 2021 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 in its year ended June 30, 2023. The Organization is in the process of evaluating the impact of adoption on its financial statements.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to provide additional guidance to nonprofit organizations on how to record and disclose in-kind contributions. The overall purpose of the update is to provide more transparency into how organizations are receiving and valuing in-kind contributions. The ASU is effective for annual periods beginning after December 31, 2020. The Organization is in the process of evaluating the impact of adoption on its financial statements.

NOTE 3: 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, 2021 and 2020:

| 2021 | | | | | |
|-----------------------------|-------------|-------------|------------------|------------------|--|
| Asset Class | Level 1 | Level 2 | Level 3 | Total | |
| Beneficial interest in FFTC | \$ - | \$ - | \$ 23,023 | \$ 23,023 | |
| Total | \$ - | \$ - | \$ 23,023 | \$ 23,023 | |

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

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, 2019 | \$ 18,559 |
| Purchases | - |
| Fees | (500) |
| Unrealized loss | (29) |
| Balance June 30, 2020 | 18,030 |
| Purchases | - |
| Fees | (500) |
| Unrealized gain | 5,493 |
| Balance June 30, 2021 | \$ 23,023 |

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

NOTE 4: PROPERTY AND EQUIPMENT

As of June 30, 2021 and 2020, property and equipment consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 28,882 | \$ 28,882 |
| Computers and equipment | <u>2,670</u> | <u>2,670</u> |
| | 31,552 | 31,552 |
| Less accumulated depreciation | <u>(31,336)</u> | <u>(30,710)</u> |
| | \$ <u>216</u> | \$ <u>842</u> |

Depreciation expense for the years ended June 30, 2021 and 2020 was \$626 and \$626, respectively.

NOTE 5: NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions at June 30, 2021 and 2020 consisted entirely of undesignated net assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|------------------|
| Perpetual in nature | \$ 23,023 | \$ 18,030 |
| Research activities | 5,253 | - |
| Restricted as to time | <u>112,000</u> | <u>70,000</u> |
| Total net assets with donor restrictions | \$ <u>140,276</u> | \$ <u>88,030</u> |

NOTE 6: 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.

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

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 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, 2021 and 2020 consists of the following:

| | | |
|--|----|---------------|
| Balance in perpetual trust June 30, 2019 | \$ | 18,222 |
| Earnings - net | | (192) |
| Distributions | | <u>-</u> |
| Balance in perpetual trust June 30, 2020 | | 18,030 |
| Earnings - net | | 4,993 |
| Distributions | | <u>-</u> |
| Balance June 30, 2021 | \$ | <u>23,023</u> |

Solve ME/CFS Initiative

Notes to Financial Statements June 30, 2021 (Comparative Totals - June 30, 2020)

NOTE 7: IN-KIND CONTRIBUTIONS

For the years ended June 30, 2021 and 2020, in-kind contributions were as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------------|-------------------|
| Legal services | \$ 111,396 | \$ 160,884 |
| Internet advertising | <u>71,400</u> | <u>60,000</u> |
| Total in-kind contributions | <u>\$ 182,796</u> | <u>\$ 220,884</u> |

NOTE 8: 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, 2021, the balance available is as follows:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 1,295,849 |
| Investments at fair value | 23,023 |
| Contributions and grants receivable | <u>394,576</u> |
| Total financial assets available | 1,713,448 |
| Less those unavailable for expenditure within one year due to: | |
| Restricted by donor with time or purpose restrictions | <u>(140,276)</u> |
| Financial assets available to meet cash needs for expenditures within one year | <u>\$ 1,573,172</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 9: 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, 2021 and 2020, SOLVE M.E. contributed \$45,870 and \$33,212 into the retirement plan and \$41,953 and \$21,635 into the health savings plan, respectively.

Solve ME/CFS Initiative

Notes to Financial Statements

June 30, 2021

(Comparative Totals - June 30, 2020)

NOTE 10: SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through May 12, 2023, 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.