

THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
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YEARS ENDED DECEMBER 31, 2022 AND 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The Parent Project for Muscular  
Dystrophy Research, Inc.  
Washington, D.C.

### Opinion

I have audited the accompanying financial statements of The Parent Project for Muscular Dystrophy Research Inc. (the Parent Project) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Parent Project for Muscular Dystrophy Research, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Parent Project and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Parent Project's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

May 18, 2023  
Hillsborough, NJ

*James M. Wood, CPA*

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets		
Cash	\$ 3,194,727	\$ 7,780,724
Grants receivable	-	37,500
Pledges & accounts receivable	1,782,425	793,289
Investment securities	2,349,399	927,294
Total financial assets	<u>7,326,551</u>	<u>9,538,807</u>
Employee advances	336	11,527
Merchandise inventory	87,750	52,041
Prepaid expenses	197,973	217,861
Total current assets	<u>7,612,610</u>	<u>9,820,236</u>
Property & equipment		
Office equipment	88,006	75,879
Office furniture	16,019	16,019
	<u>104,025</u>	<u>91,898</u>
Less accumulated depreciation	<u>(77,550)</u>	<u>(64,692)</u>
	26,475	27,206
Operating lease right-of-use assets	153,152	-
Other assets		
Investments at cost	850,479	350,480
Security deposit	5,938	5,938
	<u>856,417</u>	<u>356,418</u>
	<u>\$ 8,648,654</u>	<u>\$ 10,203,860</u>
<b>Liabilities &amp; Net Assets</b>		
Liabilities		
Accounts payable & accrued expenses	\$ 463,474	\$ 396,783
Grant received with conditions	87,200	150,000
Research grants payable	62,917	531,753
Loan payable to Small Business Administration	-	425,852
Operating lease liabilities	154,825	-
	<u>768,416</u>	<u>1,504,388</u>
Net assets		
Without donor restrictions	6,152,121	7,899,231
With donor restrictions	1,728,117	800,241
	<u>7,880,238</u>	<u>8,699,472</u>
	<u>\$ 8,648,654</u>	<u>\$ 10,203,860</u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Public Support</b>						
Contributions & grants	\$ 3,449,255	\$ 3,161,298	\$ 6,610,553	\$ 4,466,438	\$ 2,162,351	\$ 6,628,789
Conference income	483,304	-	483,304	313,650	-	313,650
Fees for service	315,171	-	315,171	172,339	-	172,339
Special events						
Gross income	2,923,010	-	2,923,010	2,050,953	-	2,050,953
Direct expense	(222,172)	-	(222,172)	(138,175)	-	(138,175)
	2,700,838	-	2,700,838	1,912,778	-	1,912,778
	6,948,568	3,161,298	10,109,866	6,865,205	2,162,351	9,027,556
<b>Investment Income</b>						
Interest & dividends	9,584	-	9,584	49,538	-	49,538
Gain on sale of donated securities	32,112	-	32,112	4,068	-	4,068
Unrealized gain (loss) on investments	(534,607)	-	(534,607)	(369,155)	-	(369,155)
	(492,911)	-	(492,911)	(315,549)	-	(315,549)
<b>Other income</b>						
Recovery of previously awarded grant	25,769	149,831	175,600	-	-	-
Other	-	-	-	410	-	410
Revenue sharing	-	-	-	997,500	-	997,500
Employee retention credit	-	-	-	329,826	-	329,826
Paycheck Protection Program	425,852	-	425,852	447,660	-	447,660
	451,621	149,831	601,452	1,775,396	-	1,775,396
	6,907,278	3,311,129	10,218,407	8,325,052	2,162,351	10,487,403
Assets released from restriction	2,383,253	(2,383,253)	-	2,192,689	(2,192,689)	-
<b>Total income</b>	9,290,531	927,876	10,218,407	10,517,741	(30,338)	10,487,403
<b>Functional Expenses</b>						
Program services						
Research	6,532,965	-	6,532,965	4,761,246	-	4,761,246
Education	2,168,132	-	2,168,132	861,049	-	861,049
Advocacy	910,780	-	910,780	770,492	-	770,492
	9,611,877	-	9,611,877	6,392,787	-	6,392,787
Supporting services						
Management & general	879,136	-	879,136	770,970	-	770,970
Fund raising	546,628	-	546,628	679,607	-	679,607
	1,425,764	-	1,425,764	1,450,577	-	1,450,577
<b>Total expenses</b>	11,037,641	-	11,037,641	7,843,364	-	7,843,364
<b>Increase (decrease) in net assets</b>	(1,747,110)	927,876	(819,234)	2,674,377	(30,338)	2,644,039
Net assets, beginning of year	7,899,231	800,241	8,699,472	5,224,854	830,579	6,055,433
Net assets, end of year	\$ 6,152,121	\$ 1,728,117	\$ 7,880,238	\$ 7,899,231	\$ 800,241	\$ 8,699,472

See accompanying notes to financial statements.

**THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	2022									
	Program Services				Supporting Services			Total Expenses	2021 Total	
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total			
Salaries	\$ 1,404,740	\$ 583,020	\$ 362,163	\$ 2,349,923	\$ 121,374	\$ 259,948	\$ 381,322	\$ 2,731,245	\$ 1,982,256	
Payroll tax & fringe benefits	262,341	108,881	67,635	438,857	22,667	48,547	71,214	510,071	368,457	
	<u>1,667,081</u>	<u>691,901</u>	<u>429,798</u>	<u>2,788,780</u>	<u>144,041</u>	<u>308,495</u>	<u>452,536</u>	<u>3,241,316</u>	<u>2,350,713</u>	
Grants	2,629,658	-	-	2,629,658	-	-	-	2,629,658	2,509,187	
Accounting fees	-	-	-	-	19,009	-	19,009	19,009	17,595	
Conferences & meetings	369,426	48,224	-	417,650	15,212	-	15,212	432,862	102,876	
Legal counsel	23,198	24,012	-	47,210	182,596	-	182,596	229,806	40,109	
Bank charges	23	8	-	31	92,000	2,000	94,000	94,031	60,511	
Fees & permits	21,345	1,450	8,099	30,894	11,819	25,046	36,865	67,759	67,520	
Insurance	6,159	2,361	1,775	10,295	4,412	1,440	5,852	16,147	24,095	
Office expenses & supplies	19,836	11,249	4,195	35,280	11,028	7,847	18,875	54,155	126,360	
Technology	45,420	75,319	9,908	130,647	150,840	116,616	267,456	398,103	440,805	
Advertising and promotion	4,082	22,975	-	27,057	-	556	556	27,613	20,500	
A/V and Production	-	341,320	-	341,320	-	-	-	341,320	202,365	
Rent	51,395	4,957	21,408	77,760	8,402	2,731	11,133	88,893	127,211	
Postage & shipping	9,447	6,903	-	16,350	1,494	6,425	7,919	24,269	10,298	
Printing & publications	9,144	7,491	375	17,010	213	8,476	8,689	25,699	9,383	
Consulting expense	226,872	57,200	401,234	685,306	213,076	28,262	241,338	926,644	1,080,648	
Telephone	10,542	3,531	1,914	15,987	2,992	3,672	6,664	22,651	23,405	
Utilities	-	-	-	-	4,799	-	4,799	4,799	9,536	
Merchandise	3,200	21	-	3,221	-	8,991	8,991	12,212	652	
Travel	285,171	196,312	18,484	499,967	10,063	21,449	31,512	531,479	104,093	
Meals	18,228	552,782	535	571,545	4,145	3,318	7,463	579,008	9,295	
Program supplies	1,125,693	117,192	11,239	1,254,124	-	-	-	1,254,124	487,904	
Excise tax/loss	-	-	-	-	20	-	20	20	-	
Loss on disposal of fixed assets	-	-	-	-	2,366	-	2,366	2,366	7,058	
	<u>6,525,920</u>	<u>2,165,208</u>	<u>908,964</u>	<u>9,600,092</u>	<u>878,527</u>	<u>545,324</u>	<u>1,423,851</u>	<u>11,023,943</u>	<u>7,832,119</u>	
Depreciation	7,045	2,924	1,816	11,785	609	1,304	1,913	13,698	11,245	
Total functional expenses	\$ <u>6,532,965</u>	\$ <u>2,168,132</u>	\$ <u>910,780</u>	\$ <u>9,611,877</u>	\$ <u>879,136</u>	\$ <u>546,628</u>	\$ <u>1,425,764</u>	\$ <u>11,037,641</u>	\$ <u>7,843,364</u>	

See accompanying notes to financial statements.

**THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	2021							
	Program Services				Supporting Services			
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total	Total Expenses
Salaries	\$ 933,661	\$ 445,115	\$ 237,922	\$ 1,616,698	\$ 83,183	\$ 282,375	\$ 365,558	\$ 1,982,256
Payroll tax & fringe benefits	173,547	82,737	44,224	300,508	15,462	52,487	67,949	368,457
	<u>1,107,208</u>	<u>527,852</u>	<u>282,146</u>	<u>1,917,206</u>	<u>98,645</u>	<u>334,862</u>	<u>433,507</u>	<u>2,350,713</u>
Grants	2,504,187	-	5,000	2,509,187	-	-	-	2,509,187
Accounting fees	-	-	-	-	17,595	-	17,595	17,595
Conferences & meetings	90,790	7,363	4,478	102,631	-	245	245	102,876
Legal counsel	4,300	-	-	4,300	35,809	-	35,809	40,109
Bank charges	2	-	-	2	15,666	44,843	60,509	60,511
Fees & permits	30,157	5,241	5,514	40,912	23,734	2,874	26,608	67,520
Insurance	6,074	4,546	1,169	11,789	8,801	3,505	12,306	24,095
Office expenses & supplies	19,047	15,870	2,953	37,870	83,490	5,000	88,490	126,360
Technology	102,860	24,232	5,385	132,477	91,195	217,133	308,328	440,805
Advertising and promotion	-	-	-	-	20,500	-	20,500	20,500
A/V and production	-	150,303	52,062	202,365	-	-	-	202,365
Rent	9,857	13,764	3,657	27,278	90,782	9,151	99,933	127,211
Postage & shipping	756	717	134	1,607	7,312	1,379	8,691	10,298
Printing & publications	9,383	-	-	9,383	-	-	-	9,383
Consulting expense	359,915	55,875	386,374	802,164	239,820	38,664	278,484	1,080,648
Telephone	4,722	2,969	634	8,325	12,758	2,322	15,080	23,405
Utilities	659	2,207	129	2,995	4,885	1,656	6,541	9,536
Merchandise	-	-	-	-	-	652	652	652
Travel	81,602	883	15,339	97,824	3,460	2,809	6,269	104,093
Meals	7,555	21	231	7,807	803	685	1,488	9,295
Program supplies	417,196	46,670	4,903	468,769	7,120	12,015	19,135	487,904
Loss on disposal of fixed assets	-	-	-	-	7,058	-	7,058	7,058
	<u>4,756,270</u>	<u>858,513</u>	<u>770,108</u>	<u>6,384,891</u>	<u>769,433</u>	<u>677,795</u>	<u>1,447,228</u>	<u>7,832,119</u>
Depreciation	4,976	2,536	384	7,896	1,537	1,812	3,349	11,245
Total functional expenses	<u>\$ 4,761,246</u>	<u>\$ 861,049</u>	<u>\$ 770,492</u>	<u>\$ 6,392,787</u>	<u>\$ 770,970</u>	<u>\$ 679,607</u>	<u>\$ 1,450,577</u>	<u>\$ 7,843,364</u>

See accompanying notes to financial statements.



THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (819,234)	\$ 2,644,039
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,698	11,245
(Gain) loss on sale of investment securities	502,495	365,087
Investment securities received as contributions	(999,554)	(721,240)
Loss on disposal of fixed assets	2,366	7,058
Small Business Administration loan recognized as income	(425,852)	(447,660)
(Increase) decrease in:		
Grants receivable	37,500	(37,500)
Pledges & accounts receivable	(989,136)	(437,543)
Employee advances	11,191	4,917
Merchandise inventory	(35,709)	(22,883)
Prepaid expenses	19,888	(112,694)
Security deposit	-	16,669
Operating lease right-of-use assets	(153,152)	-
Increase (decrease) in:		
Accounts payable & accrued expenses	66,691	280,837
Grants received in advance	(62,800)	150,000
Research grants payable	(468,836)	14,366
Operating lease liabilities	154,825	-
	<u>(3,145,619)</u>	<u>1,714,698</u>
Cash provided by (used in) operating activities		
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(15,333)	(20,928)
Proceeds from sale of investment securities	1,031,120	720,702
Acquisition of investment securities - other	(2,456,165)	(532,135)
	<u>(1,440,378)</u>	<u>167,639</u>
Cash provided by (used in) investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from Small Business Administration loan	-	425,852
	<u>-</u>	<u>425,852</u>
Cash provided by financial activities		
Net increase (decrease) in cash & cash equivalents	(4,585,997)	2,308,189
Cash		
Beginning of year	<u>7,780,724</u>	<u>5,472,535</u>
End of year	\$ <u><u>3,194,727</u></u>	\$ <u><u>7,780,724</u></u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(1) **Nature of Organization**

The Parent Project for Muscular Dystrophy Research, Inc. (the Parent Project) raises funds for research programs to find a viable treatment and cure specifically for children afflicted with Duchenne and Becker Muscular Dystrophy. The Parent Project also educates parents, health care providers, and the general public about Muscular Dystrophy through conferences, pamphlets, and brochures. In addition, a legislative conference is sponsored for the purpose of educational advocacy and the Parent Project indirectly influences the National Institutes of Health (NIH) implementation of the MD Care Act through outside consultants. The Parent Project operates throughout the United States, but collaborates with organizations around the world.

(2) **Summary of Significant Accounting Policies**

*Financial statement presentation*

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The Parent Project reports its statements of financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The latter is subject to donor-imposed restrictions that may or will be met by the passage of time or specifically for a purpose. When a restriction expires, net assets are reclassified to net assets without donor restrictions as a satisfaction of a purpose or time restriction in the statement of activities as a release from restrictions.

*Cash*

The financial statement item "cash" consists of demand deposits in depository financial institutions.

*Investment securities*

Investments in securities are carried at fair value. The Parent Project values its investments using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity; unobservable inputs reflect the entity's own assumptions about how market participants would value an asset based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The following describes this hierarchy and the primary valuation methodologies used by the Parent Project for financial instruments measured at fair value on a recurring basis:

Level 1: Quoted prices in active markets for identical assets. Market-price data are generally obtained from relevant exchanges or dealer markets.

Level 2: Inputs other than Level 1 that are observable either directly or indirectly, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially all of the same terms of assets. Inputs are obtained from various sources, including market participants, dealers, and brokers.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets.

THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
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YEARS ENDED DECEMBER 31, 2022 AND 2021

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input significant to the fair value measurement. In the event that changes in the inputs used in the fair value measurement of an asset result in a transfer of the fair value measurement to a different categorization, such transfers between fair value categories are recognized at the end of the reporting period. The categorization of an investment is based upon its pricing transparency and liquidity and does not necessarily correspond to the Parent Project's perceived risk of that investment. As a practical expedient permitted under GAAP, the reported net asset value (NAV) of investments with external managers is used to estimate their fair value. Investments that use NAV as a practical expedient for valuation purposes are shown separately from the valuation hierarchy.

Following is a description of the valuation techniques used for Level 1, 2 and 3 assets measured at fair value:

Equity securities - Investments in equity securities are measured at fair value using the quoted market prices and are classified as Level 1.

U.S. Treasury bonds - Investments in U.S. Treasury bonds are measured at fair value using quoted market prices and are classified as Level 1.

Real estate investment trust - At different times, the Parent Project has received an interest in a private real estate investment trust which is measured and recorded at fair value upon receipt. The valuations of the real estate investment trust use net asset valuations (NAV) provided by the underlying alternative investments funds and/or their administrators as a "practical expedient" for estimating fair value. The interest has been liquidated within three months of receipt; the proceeds exceed the net asset value.

*Investments at cost*

The Parent Project invests in certain private companies in order to foster and promote pharmaceutical research for Duchenne and Becker Muscular Dystrophy. The investments consist of debt instruments and future equity agreements, and are recorded at cost.

*Contributions*

Contributions received are recognized as revenue when pledged. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed conditions.

*Grants*

Grants received from foundations and corporations are treated as contributions and are recorded as without or with donor restrictions depending on the nature of any donor imposed conditions. Grants which are conditional in nature are recognized when the underlying conditions are substantially satisfied.

*Fees for service*

Fees from professional services are recognized when the related services are rendered.

*Grants, pledges and accounts receivable*

Receivables are considered to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

THE PARENT PROJECT FOR MUSCULAR  
DYSTROPHY RESEARCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

*Premises & equipment*

Acquisitions of premises and equipment with estimated useful lives in excess of one year are capitalized and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the life of the asset or the length of the lease, whichever is shorter.

*Functional expenses*

Expenses are charged to each program based on direct expenditures incurred. Any expenses not directly chargeable are allocated to programs and supporting services based on applicable rates determined by management.

*Reclassifications*

Certain items in the 2021 financial statements have been reclassified to conform with current year presentation.

*Use of estimates*

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

*Concentrations of credit and funding risk*

Financial instruments that potentially expose the Parent Project to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Parent Project has not experienced any losses on its cash or cash equivalents.

*Research grants*

The Parent Project recognizes the liability for research grants when grants are awarded as stipulated under the research grant agreements. Liabilities of \$62,917 and \$531,753 were recognized according to the outstanding research grant agreements at December 31, 2022 and 2021, respectively. In certain instances, the Parent Project will make grant payments in advance of research being performed, which results in prepaid grants being recorded as an asset. There were no prepaid grants as of December 31, 2022 and 2021.

*Merchandise inventory*

Merchandise inventory is stated at lower-of-cost or market, determined by specific identification.

*Income taxes*

The Parent Project qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for income taxes. All applicable returns for the exempt organization are filed in a timely manner. The Parent Project is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations.

The Parent Project's accounting policy is to disclose contingencies relating to uncertain tax positions when a liability is probable and estimable. The Parent Project is not aware of any violation of tax status or exposure to uncertain tax positions that could require disclosure or which could affect its liquidity or future cash flows. The Parent Project's exempt organization filings for the years ended December 31, 2019 through 2022 are subject to examination by the Internal Revenue Service. Further, the Internal Revenue Service may examine the Parent Project's financial activities for income and unrelated business income tax for those years.

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*Adoption of New Accounting Standards*

The Parent Project adopted Financial Accounting Standards Update (ASU) No. 2016-20, Leases, on January 1, 2022. Under this guidance, lessees recognize a right of use asset and a lease liability on the statement of financial position for all leases with a term longer than 12 months. The Parent Project used the modified retrospective transition approach for the adoption.

The Parent Project adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on January 1, 2022. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions.

**(3) Investment Securities**

The Parent Project has investment securities measured at fair value and investments measured at cost. They are as follows:

	<u>2022</u>	<u>2021</u>
Investment securities at fair value		
Real estate investment trust	\$ 250,000	\$250,000
Equity securities	138,898	677,294
U.S. Treasury bonds	<u>1,960,501</u>	<u>-</u>
	<u>\$2,349,399</u>	<u>\$927,294</u>

The real estate investment trust was received as two separate contributions in December 2022 and 2021, and was recorded at net asset value on the date of receipt. The equity securities were acquired as a convertible note during the year ended December 31, 2020 and converted to common stock during the year ended December 31, 2021.

Investments at cost

Agreement for future equity	<u>\$850,479</u>	<u>\$350,480</u>
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The agreement for future equity is an investment in a privately-held pharmaceutical company which will be converted to an equity holding if the company issues stock or receive priority liquidation rights if the company is acquired. The convertible note as of December 31, 2020 was converted to common stock during the year ended December 31, 2021 as part of a public stock offering.

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(4) **Fair Value Measurement**

The Parent Project has provided fair value disclosure information for relevant assets in these financial statements. The following tables summarize assets which have been accounted for at fair value on a recurring basis as of December 31, 2022 and 2021, grouped by the valuation hierarchy as defined in Note 1:

	Quoted Prices in Active Markets (Level 1)	Net Asset Value as Practical Expedient (NAV)	Total
December 31, 2022			
Real estate investment trust	\$ -	\$250,000	\$ 250,000
Equity securities	138,898	-	138,898
U.S. Treasury bonds	<u>1,960,501</u>	-	<u>1,960,501</u>
	<u>\$2,099,399</u>	<u>\$250,000</u>	<u>\$2,349,399</u>
December 31, 2021			
Real estate investment trust	\$ -	\$250,000	\$250,000
Equity securities	<u>677,294</u>	-	<u>677,294</u>
	<u>\$677,294</u>	<u>\$250,000</u>	<u>\$927,294</u>

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**(5) Leases**

The Parent Project has an obligation as a lessee for office space with initial noncancellable terms in excess of one year. The leases are classified as operating.

Lease expense for office space totaled \$88,743 and \$127,211 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, amounts reported in the statement of financial position are as follows:

Operating lease right-of-use assets	\$153,152
Operating lease liabilities	154,825

Other information related to leases as of December 31, 2022 is as follows:

Supplemental cash flow information:

Cash paid for operating lease expense	\$88,743
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Weighted average remaining operating lease term	3 years
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Risk-free rate of return	4%
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Maturity of the lease liability under its noncancellable operating lease as of December 31, 2022 is as follows:

For the year ending December 31,

2023	\$ 81,026
2024	63,081
2025	<u>17,695</u>
Total undiscounted lease payments	161,802
Less imputed interest	<u>( 6,977)</u>
Total lease liability	<u>\$154,825</u>

**(6) Retirement Plan**

The Parent Project sponsors a 401(k) profit sharing plan covering substantially all employees. The Parent Project contributes a base amount of 3% of eligible compensation and matches up to an additional 2% of employee elective deferrals. Employees are eligible to participate on their first day of employment. For the years ended December 31, 2022 and 2021, contributions to the plan totaled \$120,484 and \$88,743, respectively.

**(7) Loan Payable to Small Business Administration**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which spread throughout the United States. In response to the pandemic, the United States Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES) which provides direct economic assistance and loans to business entities. In April 2020 The Parent Project received a loan of \$447,660 under the Paycheck Protection Program (PPP) which is a component of the CARES Act. The Parent Project met the criteria for loan forgiveness, recognizing \$447,660 as income during the year ended December 31, 2021.

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The Parent Project received a second loan in the amount of \$425,852 under the extended Paycheck Protection Plan, as component of the Economic Aid to Hard-hit Small Businesses, Nonprofits and Venues Act in March 2021.

In January 2022, The Parent Project met the forgiveness criteria for the full amount of the loan and the balance of \$425,852 was recognized at that time.

**(8) Employee Retention Credit**

The Coronavirus Aid, Relief and Economic Security Act established the Employee Retention Credit (ERC) which was intended to help entities retain their workforces during the coronavirus pandemic. The ERC provides a per employee credit to eligible businesses, including nonprofit organizations, based on a percentage of qualified wages and health insurance benefits paid to employees. The ERC is a refundable payroll tax credit providing cash refunds. The Parent Project applied for and received Employee Retention Credits totaling \$329,826 for the first three quarters of 2021; it elected to recognize the credits as other income.

**(9) Net Assets With Donor Restrictions**

The nature of net assets with donor restrictions, subject to expenditure for specified purpose, is as follows as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Duchenne Registry Initiative	\$ 265,064	\$216,691
Cardiac Initiative	191,030	-
Cardiac/Gene Therapy Initiative	-	30,713
Biomarker Initiative	-	13,406
Steroid Study	1,211	12,377
Newborn Screening	351,883	274,164
Family Camp	-	2,890
Time restricted	250,000	250,000
Diversity, Equity and Inclusion	69,138	-
Venture Philanthropy	<u>599,791</u>	<u>-</u>
	<u>\$1,728,117</u>	<u>\$800,241</u>

Net assets released from restriction are as follows for the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Duchenne Registry Initiative	\$ 501,626	\$ 381,758
Biomarker Initiative	15,261	120,038
Cardiac Initiative	514,727	125,582
Research Initiative	411,748	762,466
Steroid Study	11,166	36,158
Newborn Screening	144,494	692,877
Adult Advisory Committee	-	64,000
Family Camp	3,370	9,810
Time restricted	250,000	-
Diversity, Equity and Inclusion	30,862	-
Venture Philanthropy	<u>499,999</u>	<u>-</u>
	<u>\$2,383,253</u>	<u>\$2,192,689</u>



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**(10) 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, are comprised of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$3,194,727	\$7,780,724
Grants receivable	-	37,500
Pledges and accounts receivable	1,782,425	793,289
Investment Securities	<u>2,349,399</u>	<u>927,294</u>
Financial Assets	7,326,551	9,538,807
Less:		
Donor Restrictions	<u>1,728,117</u>	<u>800,241</u>
Financial assets available for general expenditure	<u>\$5,598,434</u>	<u>\$8,738,566</u>

As part of the Parent Project's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing demand deposits.

Through October 2022, the Parent Project had an available line of credit to assist with cash flow requirements. That line was closed; there were no outstanding advances.

**(11) Insured Deposits**

As of December 31, 2022 and 2021, cash exceeding federally insured limits in one depository institution totaled \$2,939,214 and \$7,518,470, respectively.

**(12) Subsequent Events**

The Parent Project has evaluated the need for adjustments resulting from subsequent events through May 18, 2023, the date the financial statements were available to be issued. Based upon this evaluation, no adjustments or additional disclosures were required to the financial statements as of December 31, 2022.