

THE NEUROMUSCULAR DISEASE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

THE NEUROMUSCULAR DISEASE FOUNDATION

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DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

July 31, 2019

Board of Directors
The Neuromuscular Disease Foundation

We have audited the accompanying financial statements of The Neuromuscular Disease Foundation (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2018, and the related statements of support, revenue, and expenses – modified cash basis and functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Neuromuscular Disease Foundation as of December 31, 2018, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Beeson, Hoffman & Siddall, Inc.

July 31, 2019

THE NEUROMUSCULAR DISEASE FOUNDATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2018

ASSETS

Cash	\$ 1,264,504
Investments, at Fair Value	<u>449,845</u>
TOTAL ASSETS	<u>\$ 1,714,349</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Credit Cards and Payroll Liabilities	\$ 17,321
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NET ASSETS

Without Donor Restrictions	627,028
With Donor Restrictions	<u>1,070,000</u>
<i>Total Net Assets</i>	<u>1,697,028</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,714,349</u>

- See Accompanying Notes -

THE NEUROMUSCULAR DISEASE FOUNDATION
STATEMENT OF SUPPORT, REVENUE AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions - Annual Giving	\$ 256,977	\$ -	\$ 256,977
Gala	484,923	-	484,923
Less: Event Expenses	(146,077)	-	(146,077)
	<u>338,846</u>	<u>-</u>	<u>338,846</u>
Grants	110,071	1,070,000	1,180,071
Interest and Dividend Income (reinvested)	1,186	-	1,186
Net Assets Released from Restrictions	-	-	-
Total support and revenue	<u>707,080</u>	<u>1,070,000</u>	<u>1,777,080</u>
EXPENSES			
Program Services			
Awareness and Education	122,010	-	122,010
Clinical Research	295,151	-	295,151
Patient Advocacy	80,336	-	80,336
Total Program Services	<u>497,497</u>	<u>-</u>	<u>497,497</u>
General and Administrative	74,799	-	74,799
Fundraising	33,813	-	33,813
Total Expenses	<u>606,109</u>	<u>-</u>	<u>606,109</u>
CHANGE IN NET ASSETS	100,971	1,070,000	1,170,971
Net Assets, Beginning of Year	<u>526,057</u>	<u>-</u>	<u>526,057</u>
NET ASSETS, END OF YEAR	<u>\$ 627,028</u>	<u>\$ 1,070,000</u>	<u>\$ 1,697,028</u>

- See Accompanying Notes -

THE NEUROMUSCULAR DISEASE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

	Program Services			General and Administrative	Fund Raising	TOTAL
	Awareness & Education	Clinical Research	Patient Advocacy			
Conferences	\$ -	\$ 8,753	\$ -	\$ 8,753	\$ -	\$ 8,753
Contract Services	-	17,909	-	17,909	-	17,909
Grants / Contracts	-	165,060	-	165,060	-	165,060
Program Expense	34,984	6,624	14,322	55,930	-	55,930
Scientific Advisory Committee	-	15,568	-	15,568	-	15,568
Symposium	19,100	24,814	24,886	68,800	-	68,800
Travel and Meetings	883	20,014	4,719	25,616	2,950	28,566
Staff	36,409	36,409	36,409	109,227	33,813	176,853
Venue	30,634	-	-	30,634	-	30,634
Overhead	-	-	-	-	38,036	38,036
	<u>\$ 122,010</u>	<u>\$ 295,151</u>	<u>\$ 80,336</u>	<u>\$ 497,497</u>	<u>\$ 74,799</u>	<u>\$ 606,109</u>

- See Accompanying Notes -

THE NEUROMUSCULAR DISEASE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Description of Organization

Organization

The Neuromuscular Disease Foundation is the world's leading foundation in funding research that supports the search for a cure for GNE Myopathy (also known as HIBM). The mission of the Organization is to enhance the quality of the lives of people living with GNE Myopathy through advocacy, education, outreach and funding critical research focused on treatments and a cure.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Modifications to the cash basis of accounting include accruing for credit card liabilities and payroll taxes. Revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

Basis of Presentation

The Organization reports information regarding its assets, liabilities and net assets and support, revenue and expenses according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors:

- net assets without donor restrictions
- net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise.

THE NEUROMUSCULAR DISEASE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Significant Accounting Policies (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Support, Revenue and Expenses. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include symposium costs, program expenses, travel, and personnel costs, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and comparable state law. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization does not have any uncertain tax positions that are material to the financial statements.

Investments

The Organization invests cash in excess of its immediate needs in money market funds, which are reported as short-term investments in the Statement of Assets, Liabilities and Net Assets.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Revenue with and without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Support, Revenue and Expenses – Modified Cash Basis, as net assets released from restrictions.

THE NEUROMUSCULAR DISEASE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. Significant Accounting Policies (continued)

Concentration of Contribution Revenue

For the year ended December 31, 2018, approximately 52% of the Organization's contribution revenue came from one donor.

3. Fair Value Measurements

The Organization's investments consist of government-backed money market funds and are valued at fair value, as measured by quoted prices in active markets for identical securities (Level 1 in the hierarchy of fair value measurements).

4. Financial Instruments

The Organization's excess cash may occasionally exceed the FDIC deposit insurance limit, and management has placed these funds in a high-quality institution in order to minimize the risk.

5. Net Assets with Donor Restrictions

Net assets of \$1,070,000 are restricted for the purpose of gene therapy advance studies.

6. Operating Lease

The Organization is subject to an operating lease for its primary office in Los Angeles, California. The lease term is for the calendar year 2019, with monthly rent of approximately \$500.

7. Related Party Transactions

Transactions with related parties include \$30,400 in contributions received from board members, and \$7,533 in expenses paid to board members.

THE NEUROMUSCULAR DISEASE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization's main source of liquidity at its disposal is cash.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of operating a nonprofit to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates within an annual budget and anticipates collecting sufficient contributions to cover general expenditures. Financial assets available to meet general expenditures over the next 12 months comprise the following:

Cash and investments	\$ 1,714,349
Donor-imposed restrictions	<u>(1,070,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 644,349</u>

9. Subsequent Events

Subsequent events were evaluated through July 31, 2019, which is the date the financial statements were available to be issued, and determined that there are no subsequent events requiring recognition or disclosure in the financial statements.