

**THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of The Parent Project for Muscular Dystrophy Research, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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 The Parent Project for Muscular Dystrophy Research, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

James M. Wood, CPA

May 7, 2018
Hillsborough, NJ

James M. Wood, Certified Public Accountant
603B Omni Drive • Hillsborough, NJ 08844
(p) 908-431-1700 • (f) 908-431-1702
jmwood@jmwoodcpa.com

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash & cash equivalents	\$ 3,480,330	\$ 3,447,562
Grants receivable	427,997	313,869
Pledges & accounts receivable	597,593	428,339
Employee advances	6,806	4,929
Merchandise inventory	25,378	13,393
Prepaid grants	41,667	140,775
Prepaid expenses	147,612	84,683
	<u>4,727,383</u>	<u>4,433,550</u>
Property & equipment		
Office equipment	101,315	97,987
Office furniture	37,810	34,221
Leasehold improvements	6,180	6,180
	<u>145,305</u>	<u>138,388</u>
Less accumulated depreciation	(106,502)	(86,746)
	<u>38,803</u>	<u>51,642</u>
Other assets		
Security deposit	22,607	22,607
	<u>22,607</u>	<u>22,607</u>
	<u>\$ 4,788,793</u>	<u>\$ 4,507,799</u>
Liabilities & Net Assets		
Current liabilities		
Accounts payable & accrued expenses	\$ 69,507	\$ 82,402
Grants received in advance	808,351	769,010
Research grants payable	524,866	500,000
	<u>1,402,724</u>	<u>1,351,412</u>
Net assets		
Unrestricted	3,386,069	1,822,424
Temporarily restricted	-	1,333,963
	<u>3,386,069</u>	<u>3,156,387</u>
	<u>\$ 4,788,793</u>	<u>\$ 4,507,799</u>

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support						
Contributions	\$ 5,404,686	\$ 614,914	\$ 6,019,600	\$ 5,122,139	\$ 1,333,963	\$ 6,456,102
Grants	1,703,581	-	1,703,581	652,115	-	652,115
Conference registration fees	294,431	-	294,431	364,129	-	364,129
Fees for service	172,000	-	172,000	252,000	-	252,000
Special events						
Gross income	1,413,098	-	1,413,098	858,699	-	858,699
Direct expense	(271,515)	-	(271,515)	(363,279)	-	(363,279)
	1,141,583	-	1,141,583	495,420	-	495,420
	8,716,281	614,914	9,331,195	6,885,803	1,333,963	8,219,766
Investment Income						
Interest & dividends	1,560	-	1,560	3,220	-	3,220
Loss on sale of donated securities	(314)	-	(314)	(4,094)	-	(4,094)
	1,246	-	1,246	(874)	-	(874)
	8,717,527	614,914	9,332,441	6,884,929	1,333,963	8,218,892
Assets released from restriction	1,948,877	(1,948,877)	-	289,735	(289,735)	-
Total income	10,666,404	(1,333,963)	9,332,441	7,174,664	1,044,228	8,218,892
Functional Expenses						
Program services						
Research	6,075,268	-	6,075,268	4,630,512	-	4,630,512
Education	1,409,516	-	1,409,516	1,472,310	-	1,472,310
Advocacy	393,406	-	393,406	450,046	-	450,046
	7,878,190	-	7,878,190	6,552,868	-	6,552,868
Supporting services						
Management & general	531,917	-	531,917	527,324	-	527,324
Fund raising	692,652	-	692,652	480,472	-	480,472
	1,224,569	-	1,224,569	1,007,796	-	1,007,796
Total expenses	9,102,759	-	9,102,759	7,560,664	-	7,560,664
Increase (decrease) in net assets	1,563,645	(1,333,963)	229,682	(386,000)	1,044,228	658,228
Net assets, beginning of year	1,822,424	1,333,963	3,156,387	2,208,424	289,735	2,498,159
Net assets, end of year	\$ 3,386,069	\$ -	\$ 3,386,069	\$ 1,822,424	\$ 1,333,963	\$ 3,156,387

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017					2016				
	Program Services			Supporting Services		Program Services			Supporting Services	
	Research	Education	Advocacy	Total	Management & General	Fund Raising	Total	Total Expenses	Total	Total
Salaries	\$ 828,188	\$ 702,404	\$ 103,591	\$ 1,634,183	\$ 157,103	\$ 340,707	\$ 497,810	\$ 2,131,993	\$ 2,049,117	\$ 2,049,117
Payroll tax & fringe benefits	174,532	21,199	12,497	208,228	17,471	10,514	27,985	236,213	220,292	220,292
	<u>1,002,720</u>	<u>723,603</u>	<u>116,088</u>	<u>1,842,411</u>	<u>174,574</u>	<u>351,221</u>	<u>525,795</u>	<u>2,368,206</u>	<u>2,269,409</u>	<u>2,269,409</u>
Grants	4,162,350	-	-	4,162,350	-	-	-	4,162,350	2,682,986	2,682,986
Accounting fees	-	-	-	-	-	-	-	-	77,224	77,224
Conferences & meetings	28,927	514,511	59,924	603,362	4,481	-	4,481	607,843	665,316	665,316
Legal counsel	50,263	-	-	50,263	7,238	-	7,238	57,501	21,919	21,919
Bank charges	-	-	-	-	6,667	160,797	167,464	167,464	162,533	162,533
Fees & permits	13,823	2,086	2,261	18,170	6,295	8,579	14,874	33,044	41,859	41,859
Insurance	42,127	35,646	5,401	83,174	30,915	17,283	48,198	131,372	115,271	115,271
Outside services	276,228	14,900	10,000	301,128	15,485	6,481	21,966	323,094	253,633	253,633
Human resources support	-	-	-	-	17,711	-	17,711	17,711	15,100	15,100
Office expenses & supplies	26,889	6,013	270	33,172	18,740	1,618	20,358	53,530	63,981	63,981
Technology	49,703	650	-	50,353	113,935	-	113,935	164,288	61,612	61,612
Rent	109,215	14,622	5,456	129,293	11,520	7,252	18,772	148,065	118,282	118,282
Postage & shipping	5,136	67	92	5,295	20,666	5,354	26,020	31,315	26,913	26,913
Printing & publications	19,987	9,483	33	29,503	1,293	3,018	4,311	33,814	55,134	55,134
Consulting expense	60,628	8,571	159,425	228,624	75,410	67,500	142,910	371,534	376,770	376,770
Telephone	6,520	18,043	938	25,501	13,298	7,013	20,311	45,812	42,323	42,323
Utilities	8,915	7,545	1,143	17,603	1,600	3,655	5,255	22,858	23,586	23,586
Merchandise	247	-	-	247	-	34,732	34,732	34,979	63,003	63,003
Travel	183,447	44,941	28,765	257,153	4,714	11,776	16,490	273,643	357,434	357,434
Meals	20,310	2,316	2,622	25,248	5,992	3,212	9,204	34,452	36,999	36,999
Translation & outreach	128	-	-	128	-	-	-	128	996	996
	<u>6,067,563</u>	<u>1,402,997</u>	<u>392,418</u>	<u>7,862,978</u>	<u>530,534</u>	<u>689,491</u>	<u>1,220,025</u>	<u>9,083,003</u>	<u>7,532,283</u>	<u>7,532,283</u>
Depreciation	7,705	6,519	988	15,212	1,383	3,161	4,544	19,756	28,381	28,381
Total functional expenses	\$ 6,075,268	\$ 1,409,516	\$ 393,406	\$ 7,878,190	\$ 531,917	\$ 692,652	\$ 1,224,569	\$ 9,102,759	\$ 7,560,664	\$ 7,560,664

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services		
	Research	Education	Advocacy	Management & General	Fund Raising	Total Expenses
Salaries	\$ 1,247,357	\$ 428,980	\$ 96,008	\$ 154,046	\$ 122,726	\$ 2,049,117
Payroll tax & fringe benefits	135,260	47,291	10,128	15,369	12,244	220,292
	<u>1,382,617</u>	<u>476,271</u>	<u>106,136</u>	<u>169,415</u>	<u>134,970</u>	<u>2,269,409</u>
Grants	2,479,536	203,450	-	-	-	2,682,986
Accounting fees	47,754	15,461	3,054	6,097	4,858	77,224
Conferences & meetings	6,656	491,495	167,034	131	-	665,316
Legal counsel	20,075	-	-	1,844	-	21,919
Bank charges	-	-	-	14,834	147,699	162,533
Fees & permits	10,075	5,353	10,691	7,812	7,928	41,859
Insurance	20,926	-	4,353	89,992	-	115,271
Outside services	210,835	31,273	6,600	4,125	800	253,633
Human resources support	-	-	-	15,100	-	15,100
Office expenses & supplies	18,097	4,903	164	32,371	8,446	63,981
Technology	6,016	210	-	55,386	-	61,612
Rent	78,738	20,811	3,988	8,207	6,538	118,282
Postage & shipping	61	9,250	32	10,619	6,951	26,913
Printing & publications	352	32,520	-	3,708	18,554	55,134
Consulting expense	112,929	53,183	114,130	62,778	33,750	376,770
Telephone	4,702	21,331	1,676	7,882	6,732	42,323
Utilities	2,595	11,793	943	4,481	3,774	23,586
Merchandise	-	1,673	-	-	61,330	63,003
Travel	211,793	76,625	27,476	16,255	25,285	357,434
Meals	15,024	7,172	2,631	7,856	4,316	36,999
Translation & outreach	-	996	-	-	-	996
Loss on equipment	-	-	-	-	-	-
	<u>4,628,781</u>	<u>1,463,770</u>	<u>448,908</u>	<u>518,893</u>	<u>471,931</u>	<u>7,532,283</u>
Depreciation	1,731	8,540	1,138	8,431	8,541	28,381
Total functional expenses	\$ 4,630,512	\$ 1,472,310	\$ 450,046	\$ 527,324	\$ 480,472	\$ 7,560,664

See accompanying notes to financial statements.

THE PARENT PROJECT FOR MUSCULAR DYSTROPHY RESEARCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 229,682	\$ 658,228
Adjustments to reconcile increase		
in net assets to net cash (used in) provided by		
operating activities:		
Depreciation	19,756	28,381
Loss on sale of donated securities	314	4,094
Receipt of gifts of marketable securities	(865,191)	(873,122)
(Increase) decrease in:		
Grants receivable	(114,128)	(207,447)
Pledges & accounts receivable	(169,254)	(187,019)
Employee advances	(1,877)	5,107
Merchandise inventory	(11,985)	24,410
Prepaid grants	99,108	(92,382)
Prepaid expenses	(62,929)	80,696
Security deposit	-	(18,332)
Increase (decrease) in:		
Accounts payable & accrued expenses	(12,895)	(48,129)
Grants received in advance	39,341	769,010
Research grants payable	24,866	393,608
	<u>(825,192)</u>	<u>537,103</u>
Cash (used in) provided by operating activities		
Cash flows from investing activities		
Acquisition of fixed assets	(6,917)	(10,512)
Proceeds from sale of investments	864,877	869,028
	<u>857,960</u>	<u>858,516</u>
Cash provided by investing activities		
Net increase in cash & cash equivalents	32,768	1,395,619
Cash & cash equivalents		
Beginning of year	<u>3,447,562</u>	<u>2,051,943</u>
End of year	\$ <u><u>3,480,330</u></u>	\$ <u><u>3,447,562</u></u>

THE PARENT PROJECT FOR MUSCULAR
DYSTROPHY RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

(1) Summary of Significant Accounting Policies

Nature of activities

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 Organization 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 Organization indirectly influences the National Institutes of Health (NIH) implementation of the MD Care Act through outside consultants. The Organization operates throughout the United States, but collaborates with organizations around the world.

Basis of presentation

In accordance with generally accepted accounting principles, the Parent Project reports its statements of financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenue with temporary restrictions which is expended in the same year is considered unrestricted for financial statement presentation. As of December 31, 2017, the Parent Project has only unrestricted net assets. As of December 31, 2016, the Parent Project has unrestricted and temporarily restricted net assets.

Cash & cash equivalents

The financial statement item "cash & cash equivalents" consists of demand deposits, including money market funds, in depository financial institutions and highly liquid investments in money market funds.

Contributions

Contributions received are recognized as revenue when pledged. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor-imposed restrictions.

Grants

Grants are recorded as revenue during the period for which the funds are intended or the related activity occurs. Amounts received in advance are deferred into the intended period. Grants are defined as the receipt of funds where the grantor expects provision of certain services of commensurate value.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
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Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform with current year presentation.

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 as stipulated under the research grant agreements. Liabilities of \$524,866 and \$500,000 were recognized according to the outstanding research grant agreements at December 31, 2017 and 2016, 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. Prepaid grants were \$41,667 and \$140,775 at December 31, 2017 and 2016, respectively.

Merchandise inventory

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

Accounting for uncertainty in income taxes

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, 2014 through 2017 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.

New accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report *net assets with donor restrictions* and *net assets without donor restrictions* instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. Further, the guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The amendments in this Update are effective for years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance, lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and for interim

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periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

In May 2014, the FASB issued ASU 2014-10, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in US GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2-15-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. Management is evaluating the impact the updated standard will have on the financial statements.

The Financial Accounting Standards Board (FASB) issued Update No 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, in November 2016, requiring a statement of cash flows to explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for fiscal years beginning after December 31, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, and the Update should be applied using a retrospective transition method to each period presented. Management is evaluating the impact the updated standard will have on the financial statements.

(2) Operating Lease Commitments

The Parent Project is obligated under the terms of leases for office space, an apartment in New York, and certain equipment as follows:

<u>Year ending December 31</u>	
2018	\$137,954
2019	139,951
2020	111,995
2021	<u>53,761</u>
	<u>\$443,661</u>

Rent expense totaled \$148,065 and \$118,282 for the years ended December 31, 2017 and 2016, respectively.

(3) 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 1% of employee elective deferrals. Employees are eligible to participate on their first day of work. For the years ended December 31, 2017 and 2016, contributions to the plan totaled \$81,865 and \$71,757, respectively.

(4) Income Tax Status

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.

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NOTES TO FINANCIAL STATEMENTS
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(5) **Special Events**

During the years ended December 31, 2017 and 2016, the Parent Project held various events with the following results:

	2017	2016
Gross revenue	\$1,413,098	\$ 858,699
Direct expense	<u>(271,515)</u>	<u>(363,279)</u>
	<u>\$1,141,583</u>	<u>\$ 495,420</u>

(6) **Line of credit**

The Parent Project has a \$250,000 line of credit with a bank which is subject to renewal in July 2018. Interest on the outstanding balance accrues at the rate of 6.75%. The Parent Project had no outstanding balance on the line of credit as of December 31, 2017 and 2016.

(7) **Management Evaluation of Subsequent Events**

Management has evaluated subsequent events through May 7, 2018, the date which the financial statements are available to be issued.