

**ADVANCEMENT OF RESEARCH FOR  
MYOPATHIES (ARM)**

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

SEPTEMBER 30, 2011

**ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)  
SEPTEMBER 30, 2011**

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*A Certified Public Accountancy Corporation*

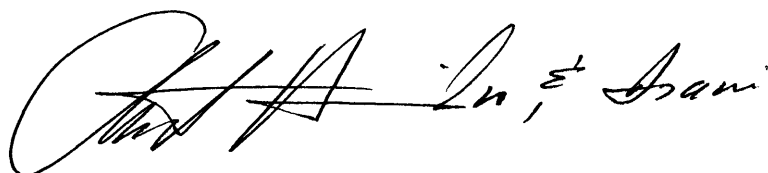
**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Advancement of Research for Myopathies (ARM)  
Reseda, California

We have audited the accompanying statements of financial position of Advancement of Research for Myopathies - ARM (the "Organization") (a California non-profit Organization) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advancement of Research for Myopathies - ARM as of September 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



November 16, 2012

**ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)**

Statement of Financial Position

September 30, 2011

**ASSETS**

Current Assets	
Cash	\$ 9,776
Prepaid expenses	<u>3,766</u>
Total current assets	13,542
Fixed assets	
Office equipment	401
Less accumulated depreciation	<u>401</u>
Total fixed assets	<u>-</u>
Total assets	<u>\$ 13,542</u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accrued expenses	\$ <u>3,166</u>
Total current liabilities	3,166
Contingencies	-
Net assets - Unrestricted	<u>10,376</u>
Total liabilities and net assets	<u>\$ 13,542</u>

The accompanying notes are an integral part of these financial statements.

**ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)**

Statement of Activities

Year Ended September 30, 2011

**REVENUES:**

Contributions	<u>\$ 194,644</u>
Total revenues	194,644

**EXPENSES:**

Program services:	
Research development and patient services	190,000
Primary research	<u>34,106</u>
Total program services	224,106
Support services:	
General and administrative	22,262
Fundraising	<u>71,392</u>
Total support services	<u>93,654</u>
Total expenses	<u>317,760</u>
Decrease in unrestricted net assets	(123,116)
Unrestricted net assets at beginning of year	<u>133,492</u>
Unrestricted net assets at end of year	<u>\$ 10,376</u>

The accompanying notes are an integral part of these financial statements.

ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)  
Statement of Functional Expenses  
For the Year ended September 30, 2011

	PROGRAM SERVICES		SUPPORT SERVICES			
	Program Services	Total Program Services	General and Administrative	Fund raising	Total Support Services	Total Expenses
Grants and allocations	\$ 214,000	\$ 214,000	\$ -	\$ -	\$ -	\$ 214,000
Fund-raising activities	-	-	-	41,305	41,305	41,305
Other salaries and wages	9,000	9,000	9,079	18,079	27,158	36,158
Legal and professional fees	-	-	10,750	-	10,750	10,750
Rent	-	-	511	4,602	5,113	5,113
Payroll taxes	906	906	911	1,817	2,728	3,634
Postage and shipping	-	-	232	2,084	2,316	2,316
Office expenses	-	-	172	1,551	1,723	1,723
Credit card fees	-	-	-	1,652	1,652	1,652
Telephone	-	-	207	207	414	414
Program awareness	200	200	-	-	-	200
Bank fees	-	-	95	95	190	190
Dues and subscriptions	-	-	160	-	160	160
Licenses and permits	-	-	145	-	145	145
Total	<u>\$ 224,106</u>	<u>\$ 224,106</u>	<u>\$ 22,262</u>	<u>\$ 71,392</u>	<u>\$ 93,654</u>	<u>\$ 317,760</u>

The accompanying notes are an integral part of these financial statements.

**ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)**

Statement of Cash Flows

Year Ended September 30, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in unrestricted net assets	\$( 123,116)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accrued expenses	( 3,766)
Increase in accrued expenses	<u>3,166</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 123,716)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>133,492</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 9,776</u></b>

The accompanying notes are an integral part of these financial statements.

## ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)

Notes to Financial Statements

September 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Advancement of Research for Myopathies (the “Organization”) is a non-profit corporation organized to provide funds for development of effective treatments for autosomal recessive inclusion body myopathy (IBM2). IBM2 is also known as quadriceps spring myopathy (QSM), distal myopathy with rimmed vacuoles (DMRV or nonka’s myopathy), or hereditary inclusion body myopathy (HIBM).

#### Basis of Accounting

The financial statements of Advancement of Research for Myopathies have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### Statement of Cash Flows

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

#### Fixed Assets

Property and equipment are stated at cost. Depreciation on assets is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for all assets.

#### Income Taxes

Advancement of Research for Myopathies is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, Advancement of Research for Myopathies has made no provision for federal income taxes in the accompanying financial statements.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



## ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)

Notes to Financial Statements

September 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### Restriction of Funds

All funds in the various bank accounts are unrestricted funds.

#### Evaluation of Subsequent Events

Management has evaluated subsequent events through November 16, 2012, the date that the financial statements were available to be issued.

### NOTE 2 – BASIS FOR GRANTS PAYABLE

Grants awards may extend a period of 1-3 years and are paid on a quarterly basis. The Organization records the initial year's liabilities and related expenses for the awarded grants after recommended for approval by the Organization's independent scientific peer reviewers and approved by the Board of Directors. Funding of the remaining committed future amounts of grants is contingent upon satisfactory scientific and/or medical review and the availability of funds. For the year ended September 30, 2011, \$190,000 in grants were paid to HIBM Research Group, Inc., which is a non-profit organization with the main purpose of engaging in medical research regarding Hereditary Inclusion Body Myopathies (HIBM).

### NOTE 3 – FUNDRAISING ACTIVITIES

Advancement of Research for Myopathies (ARM) organizes special events to increase awareness and raise funds for biomedical research.

## ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)

Notes to Financial Statements

September 30, 2011

### NOTE 4 – FIXED ASSETS

As of September 30, 2011, fixed assets consist of:

Office equipment	\$	401
Less accumulated depreciation		<u>401</u>
	\$	<u><u>-</u></u>

### NOTE 5 - COMMITMENTS

The Organization entered into a lease agreement for office space rental. The lease was to expire in June 2011 but has been extended to June 30, 2013.

<u>YEAR</u>	<u>RENT EXPENSE</u>
2012	\$ 4,734
2013	3,672
2014	-
2015	-
2016	<u>-</u>
TOTAL	<u><u>\$ 8,406</u></u>

Total rent expense for the year was \$4,545.

### NOTE 6 – MAJOR CONTRIBUTIONS

During the year Advancement of Research for Myopathies (ARM) had contributions from three major donors (over \$ 5,000), representing 13% of the overall revenues.

### NOTE 7 - OFF-BALANCE SHEET CREDIT RISK

Advancement of Research for Myopathies (ARM) periodically maintains balances in its various cash accounts in excess of \$250,000. Such excess is not insured by the Federal Depository Insurance Corporation (FDIC).