ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

SEPTEMBER 30, 2011
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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 3,766
   Total current assets 13,542

Fixed assets
   Office equipment 401
   Less accumulated depreciation 401
   Total fixed assets -

Total assets $ 13,542

LIABILITIES AND NET ASSETS

Current liabilities
   Accrued expenses $ 3,166
   Total current liabilities 3,166

Contingencies -

Net assets - Unrestricted 10,376

Total liabilities and net assets $ 13,542

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 $ 194,644

Total revenues 194,644

EXPENSES:

Program services:
  Research development and patient services 190,000
  Primary research 34,106

Total program services 224,106

Support services:
  General and administrative 22,262
  Fundraising 71,392

Total support services 93,654

Total expenses 317,760

Decrease in unrestricted net assets (123,116)

Unrestricted net assets at beginning of year 133,492

Unrestricted net assets at end of year $ 10,376

The accompanying notes are an integral part of these financial statements.
## Statement of Functional Expenses

For the Year ended September 30, 2011

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

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                3,166

NET DECREASE IN CASH AND CASH EQUIVALENTS          ( 123,716)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR   133,492

CASH AND CASH EQUIVALENTS AT END OF YEAR           $   9,776

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.
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.
NOTE 4 – FIXED ASSETS

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>$401</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>$401</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>RENT EXPENSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$4,734</td>
</tr>
<tr>
<td>2013</td>
<td>3,672</td>
</tr>
<tr>
<td>2014</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
</tr>
</tbody>
</table>

TOTAL $8,406

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).