

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Myotonic Dystrophy Foundation and Affiliate
San Francisco, California

We have audited the accompanying consolidated financial statements of Myotonic Dystrophy Foundation (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Myotonic Dystrophy Foundation and Affiliate as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 12 - 13 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Propp Christensen Caniglia LLP

June 1, 2016
Roseville, California

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 3,949,139	\$ 1,489,398
Pledges receivable, current portion	71,540	67,337
Other receivables	49,263	58,900
Deposits	26,159	3,530
Total current assets	4,096,101	1,619,165
Pledges receivable, net of current portion	10,000	-
Total assets	\$ 4,106,101	\$ 1,619,165

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 29,443	\$ 19,710
Accrued liabilities	48,311	21,374
Credit card liabilities	9,729	3,561
Grant obligations, current portion	840,000	300,000
Total current liabilities	927,483	344,645
Grant obligations, net of current portion	300,000	-
Total liabilities	1,227,483	344,645
Net assets:		
Unrestricted	2,481,313	783,755
Temporarily restricted	397,305	490,765
Total net assets	2,878,618	1,274,520
Total liabilities and net assets	\$ 4,106,101	\$ 1,619,165

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions - annual campaign	\$ 128,395	\$ 36,659	\$ 165,054
Contributions - major donors	3,494,536	112,404	3,606,940
Contributions - grassroots fundraising	42,699	63,172	105,871
Grant revenue	331,662	75,000	406,662
Interest revenue	2,640	-	2,640
Other income	24,525	-	24,525
Net assets released from restriction	380,695	(380,695)	-
	<u>4,405,152</u>	<u>(93,460)</u>	<u>4,311,692</u>
Expenses:			
Program expenses:			
Care programs	351,251	-	351,251
Research programs	1,751,506	-	1,751,506
Advocacy and communications	341,728	-	341,728
	<u>2,444,485</u>	<u>-</u>	<u>2,444,485</u>
Total program expenses	2,444,485	-	2,444,485
Management and general expenses	186,809	-	186,809
Fundraising expenses	76,300	-	76,300
	<u>2,707,594</u>	<u>-</u>	<u>2,707,594</u>
Total expenses	2,707,594	-	2,707,594
Change in net assets	1,697,558	(93,460)	1,604,098
Net assets, beginning of year	783,755	490,765	1,274,520
Net assets, end of year	<u>\$ 2,481,313</u>	<u>\$ 397,305</u>	<u>\$ 2,878,618</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2015 and 2014

	2014		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions - annual campaign	\$ 92,096	\$ 23,893	\$ 115,989
Contributions - major donors	228,738	145,600	374,338
Contributions - grassroots fundraising	42,320	50,120	92,440
Grant revenue	94,038	20,000	114,038
Interest revenue	2,186	-	2,186
Other income	28,534	-	28,534
Net assets released from restriction	243,515	(243,515)	-
Total revenue	731,427	(3,902)	727,525
Expenses:			
Program expenses:			
Care programs	325,365	-	325,365
Research programs	359,642	-	359,642
Advocacy and communications	204,249	-	204,249
Total program expenses	889,256	-	889,256
Management and general expenses	147,826	-	147,826
Fundraising expenses	74,354	-	74,354
Total expenses	1,111,436	-	1,111,436
Change in net assets	(380,009)	(3,902)	(383,911)
Net assets, beginning of year	1,163,764	494,667	1,658,431
Net assets, end of year	<u>\$ 783,755</u>	<u>\$ 490,765</u>	<u>\$ 1,274,520</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2015 and 2014

For the year ended December 31, 2015	Program Expenses					2015 Total
	Care Programs	Research Programs	Advocacy and Communication	Management and General	Fundraising	
Grants	\$ -	\$ 1,228,287	\$ -	\$ -	\$ -	\$ 1,228,287
Conferences and meetings	121,326	91,877	1,654	11,734	1,233	227,824
Employee expenses	132,210	310,511	122,417	48,960	44,070	658,168
Program and administrative expenses	36,190	23,630	5,024	32,141	15,673	112,658
Occupancy	12,788	13,735	11,841	3,666	4,263	46,293
Professional fees	48,737	83,466	200,792	90,308	11,061	434,364
Total expenses	\$ 351,251	\$ 1,751,506	\$ 341,728	\$ 186,809	\$ 76,300	\$ 2,707,594

For the year ended December 31, 2014	Program Expenses					2014 Total
	Care Programs	Research Programs	Advocacy and Communication	Management and General	Fundraising	
Grants	\$ 500	\$ 212,678	\$ -	\$ -	\$ -	\$ 213,178
Conferences and meetings	111,366	6,137	9,317	7,069	7,782	141,671
Employee expenses	113,564	65,940	98,911	51,287	36,634	366,336
Program and administrative expenses	36,358	18,230	14,748	21,114	11,392	101,842
Occupancy	5,357	3,110	4,666	3,419	1,728	18,280
Professional fees	58,220	53,547	76,607	64,937	16,818	270,129
Total expenses	\$ 325,365	\$ 359,642	\$ 204,249	\$ 147,826	\$ 74,354	\$ 1,111,436

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,604,098	\$ (383,911)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Pledges receivable	(14,203)	210,313
Other receivables	9,637	21,210
Security deposit	(22,629)	-
Accounts payable	9,733	(10,446)
Accrued liabilities	26,937	1,266
Credit card liabilities	6,168	1,383
Grant obligations	<u>840,000</u>	<u>(75,000)</u>
Change in cash and cash equivalents	2,459,741	(235,185)
Cash and cash equivalents, beginning of period	<u>1,489,398</u>	<u>1,724,583</u>
Cash and cash equivalents, end of period	<u>\$ 3,949,139</u>	<u>\$ 1,489,398</u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1: ORGANIZATION

Myotonic Dystrophy Foundation (the "Foundation") was formed in 2006 as a non-profit public benefit corporation and is located in San Francisco, California. The purpose of the Foundation is to engage in charitable, educational and scientific activities within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future United States internal revenue law that supports research to find a cure or acceptable treatment for myotonic dystrophy, supports those with the disease and their families, and educates the public about myotonic dystrophy.

Wyck Foundation (the "Affiliate") was incorporated on August 28, 2014 under the Companies Act of 2006 in the United Kingdom and received its charity status in April 2015. The purpose of Wyck Foundation is the preservation of health and the relief of sickness and need for the public benefit. This purpose is accomplished by supporting, commissioning or undertaking research into the prevention, treatment and cure of myotonic dystrophy conditions and publishing or disseminating the useful results of that research for public benefit; and by supporting other initiatives that provide or support the care and relief of sufferers of myotonic dystrophy conditions and their families.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Foundation and its affiliate have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Consolidation

In determining the requirements for consolidation of related organizations, the Foundation follows the guidance provided in Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 810, *Not-for-Profit Entities – Consolidation* (FASB ASC 958-810). FASB ASC 958-810 requires consolidation of nonprofit organizations that are financially related to one another by means of ownership or control and economic interest. The Foundation is the sole member of the Wyck Foundation. The consolidated financial statements of the Foundation include the accounts of the Wyck Foundation, and all inter-organizational balances and transactions have been eliminated.

Basis of Presentation

The Foundation and its affiliate present their consolidated financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Foundation and its affiliate are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation and its affiliate are required to present a statement of cash flows. Accordingly, net assets of the Foundation and its affiliate and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and its affiliate and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation and its affiliate. Generally, the donors of these assets permit the Foundation and its affiliate to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2015 and 2014.

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit – Revenue Recognition*, unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The receivable for the remaining payments and the corresponding revenue are recognized concurrently. Management considers receivables as of December 31, 2015 and 2014, to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

Cash and Cash Equivalents

The Foundation and its affiliate consider all short-term investments with an original maturity of three months or less and money funds to be cash equivalents.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and under Section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for income taxes has been made. After they are filed, the Foundation's exempt organization returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

In April 2015, the Affiliate received its charity status from HM Revenue and Customs, and as of December 31, 2015 and 2014, was not required to file a tax return. Accordingly, no returns have been filed for the Affiliate.

Description of Programs

The Foundation currently works with medical and scientific advisors toward accomplishing the following programs:

Care Programs – Delivers comprehensive array of education and support programs and resources, including an annual conference, for affected families and medical professionals.

Advocacy and Communication – Advocates with federal agencies to increase patient access to services, to increase funding for myotonic dystrophy research and to raise visibility for the disease with key audiences including the public.

Research Programs – Funds basic, translational and other research to advance disease understanding and find treatments and a cure for myotonic dystrophy.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services, Supplies and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Estimates

The preparation of consolidated 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.

Marketing and Advertising

Marketing and advertising costs are expensed when incurred. The Foundation and its affiliate incurred advertising costs for the years ended December 31, 2015 and 2014, totaling \$1,334 and \$1,735, respectively.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through June 1, 2016, the date that these financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in a single financial institution in excess of the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. At December 31, 2015 and 2014, the uninsured balances were \$669,271 and \$1,269,782, respectively.

The affiliate maintains its cash and cash equivalents in international financial institutions. Using the exchange rate in effect on December 31, 2015, the amount insured by the Financial Services Compensation Scheme and Depositors' Compensation Scheme was \$111,015 and \$74,010, respectively, and the uninsured balance was \$2,926,490.

The Foundation and its affiliate have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

Amounts of foreign currencies held at year-end are expressed in U.S. dollars using the exchange rate in effect on December 31, 2015.

NOTE 4: PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when the pledge is made. The Foundation and its affiliate distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Pledges are expected to be realized in the following periods:

	2015	2014
In one year or less	\$ 71,540	\$ 67,337
One to five years	10,000	-
	<u>\$ 81,540</u>	<u>\$ 67,337</u>

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5: GRANT OBLIGATIONS

The Foundation and its affiliate enter into contracts to provide grant funding to various clinical and scientific research programs. Grants authorized and awarded but unpaid at year end are reported as liabilities. The following is a summary of grants authorized and payable at December 31, 2015, summarized by year in which the amounts are due:

Year Ending December 31:		
2016	\$	840,000
2017		<u>300,000</u>
	\$	<u><u>1,140,000</u></u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014, are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Research-related activities	\$ 363,680	\$ 490,765
Fundraising activities	23,700	-
Care programs	<u>9,925</u>	<u>-</u>
Total	<u>\$ 397,305</u>	<u>\$ 490,765</u>

The following schedule shows the amounts released and restricted within temporarily restricted net assets for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance of temporarily restricted net assets	\$ 490,765	\$ 494,667
Net assets temporarily restricted for research programs	271,135	219,313
Net assets temporarily restricted for care programs	16,100	20,300
Net assets released from restriction by qualifying expenditures	<u>(380,695)</u>	<u>(243,515)</u>
Ending balance of temporarily restricted net assets	<u>\$ 397,305</u>	<u>\$ 490,765</u>

SUPPLEMENTARY INFORMATION

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

	2015			2014	
	Myotonic	Wyck	Eliminating Entry	Total	Total
Current assets:					
Cash and cash equivalents	\$ 877,004	\$ 3,072,135	\$ -	\$ 3,949,139	\$ 1,489,398
Pledges receivable, current portion	71,540	-	-	71,540	67,337
Due from affiliates	1,265,722	-	(1,265,722)	-	-
Other receivables	49,263	-	-	49,263	58,900
Deposits	26,159	-	-	26,159	3,530
Total current assets	<u>2,289,688</u>	<u>3,072,135</u>	<u>(1,265,722)</u>	<u>4,096,101</u>	<u>1,619,165</u>
Pledges receivable, net of current portion	10,000	-	-	10,000	-
Total assets	<u>\$ 2,299,688</u>	<u>\$ 3,072,135</u>	<u>\$ (1,265,722)</u>	<u>\$ 4,106,101</u>	<u>\$ 1,619,165</u>

LIABILITIES AND NET ASSETS

Current liabilities:					
Accounts payable	\$ 29,443	\$ -	\$ -	\$ 29,443	\$ 19,710
Due to affiliates	-	1,265,722	(1,265,722)	-	-
Accrued liabilities	48,311	-	-	48,311	21,374
Credit card liabilities	9,729	-	-	9,729	3,561
Grant obligations, current portion	125,000	715,000	-	840,000	300,000
Total current liabilities	<u>212,483</u>	<u>1,980,722</u>	<u>(1,265,722)</u>	<u>927,483</u>	<u>344,645</u>
Grant obligations, net of current portion	-	300,000	-	300,000	-
Total liabilities	<u>212,483</u>	<u>2,280,722</u>	<u>(1,265,722)</u>	<u>1,227,483</u>	<u>344,645</u>
Net assets:					
Unrestricted	1,689,900	791,413	-	2,481,313	783,755
Temporarily restricted	397,305	-	-	397,305	490,765
Total net assets	<u>2,087,205</u>	<u>791,413</u>	<u>-</u>	<u>2,878,618</u>	<u>1,274,520</u>
Total liabilities and net assets	<u>\$ 2,299,688</u>	<u>\$ 3,072,135</u>	<u>\$ (1,265,722)</u>	<u>\$ 4,106,101</u>	<u>\$ 1,619,165</u>

See independent auditor's report.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2015 and 2014

	2015			2014	
	Myotonic	Wyck	Eliminating Entry	Total	Total
Revenue:					
Contributions - annual campaign	\$ 165,054	\$ -	\$ -	\$ 165,054	\$ 115,989
Contributions - major donors	545,974	3,060,966	-	3,606,940	374,338
Contributions - foundations/funds	-	10,000	(10,000)	-	-
Contributions - grassroots fundraising	105,871	-	-	105,871	92,440
Grant revenue	1,296,662	-	(890,000)	406,662	114,038
Interest revenue	1,425	1,215	-	2,640	2,186
Other income	24,525	-	-	24,525	28,534
Total revenue	2,139,511	3,072,181	(900,000)	4,311,692	727,525
Expenses:					
Program expenses:					
Care programs	351,251	-	-	351,251	325,365
Research programs	394,037	2,257,469	(900,000)	1,751,506	359,642
Advocacy and communications	341,728	-	-	341,728	204,249
Wyck Foundation	-	-	-	-	-
Total program expenses	1,087,016	2,257,469	(900,000)	2,444,485	889,256
Management and general expenses	186,809	-	-	186,809	147,826
Fundraising expenses	76,300	-	-	76,300	74,354
Total expenses	1,350,125	2,257,469	(900,000)	2,707,594	1,111,436
Change in net assets	789,386	814,712	-	1,604,098	(383,911)
Net assets, beginning of year	1,297,819	(23,299)	-	1,274,520	1,658,431
Net assets, end of year	<u>\$ 2,087,205</u>	<u>\$ 791,413</u>	<u>\$ -</u>	<u>\$ 2,878,618</u>	<u>\$ 1,274,520</u>

See independent auditor's report.