

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

FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT

SEPTEMBER 30, 2006

**ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)  
SEPTEMBER 30, 2006**

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# ALBERT DAVIDOO & COMPANY

*Certified Public Accountants*



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Advancement of Research for Myopathies (ARM)  
Encino, 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, 2007, 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, 2007, 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.

March 6, 2008

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

Statement of Financial Position

September 30, 2006

**ASSETS**

Current Assets	
Cash	<u>\$ 76,913</u>
Total current assets	76,913
Fixed assets	
Office equipment	401
Less accumulated depreciation	<u>138</u>
Total fixed assets	<u>263</u>
Total assets	<u>\$ 77,176</u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accrued expenses	<u>\$ 2,269</u>
Total current liabilities	2,269
Contingencies	-
Net assets - Unrestricted	<u>74,907</u>
Total liabilities and net assets	<u>\$ 77,176</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, 2006

**REVENUES:**

Contributions and grants	\$ 413,126
Interest income	<u>1,088</u>
Total revenues	414,214

**EXPENSES:**

Program services:	
Primary research	254,843
Research development and patient services	<u>196,149</u>
Total program services	450,992
Support services:	
General and administrative	4,834
Fundraising	<u>60,979</u>
Total support services	<u>65,813</u>
Total expenses	<u>516,805</u>
Decrease in unrestricted net assets	(102,591)
Unrestricted net assets at beginning of year	<u>177,498</u>
Unrestricted net assets at end of year	<u>\$ 74,907</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, 2006

	PROGRAM SERVICES		SUPPORT SERVICES			
	Program Services	Total Program Services	General and Administrative	Fund raising	Total Support Services	Total Expenses
Grants and allocations	\$ 450,992	\$ 450,992	\$ -	\$ -	\$ -	\$ 450,992
Fund-raising activities	-	-	-	27,397	27,397	27,397
Licenses and permits	-	-	-	105	105	105
Rent	-	-	3,276	3,276	6,552	6,552
Payroll taxes	-	-	-	2,021	2,021	2,021
Office expenses	-	-	-	489	489	489
Postage and shipping	-	-	-	900	900	900
Telephone	-	-	351	351	702	702
Accounting fees	-	-	1,150	-	1,150	1,150
Salaries and wages	-	-	-	21,268	21,268	21,268
Travel	-	-	-	744	744	744
Printing and visual aids	-	-	-	3,628	3,628	3,628
Credit card fees	-	-	-	213	213	213
Depreciation	-	-	57	-	57	57
Bank fees	-	-	-	587	587	587
	-	-	-	587	587	587
<b>Total</b>	<b><u>\$ 450,992</u></b>	<b><u>\$ 450,992</u></b>	<b><u>\$ 4,834</u></b>	<b><u>\$ 60,979</u></b>	<b><u>\$ 65,813</u></b>	<b><u>\$ 516,805</u></b>

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, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in unrestricted net assets	\$ 74,907
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:	
Depreciation	57
Changes in assets and liabilities:	
Decrease in contributions receivable	32,781
Increase in accrued expenses	174
Decrease in grants payable	<u>(210,279)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(102,360)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>179,273</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 76,913</u>

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

## ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)

Notes to Financial Statements

September 30, 2006

### 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, 2006

### 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.

### 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, 2006, \$196,149 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, 2006, fixed assets consist of:

Office equipment	\$ 401
Less accumulated depreciation	<u>138</u>
	<u>\$ 263</u>

## ADVANCEMENT OF RESEARCH FOR MYOPATHIES (ARM)

Notes to Financial Statements

September 30, 2006

### NOTE 5 - COMMITMENTS

The Organization entered into a joint lease agreement with two other tenants for office space rental in April 2004. The lease was for three years and expired on March 31, 2007. Currently the facilities are being rented on a month-to-month basis. The company is in negotiations to finalize an agreement.

<u>YEAR</u>	<u>RENT EXPENSE</u>
2007	\$ 3,279
2008	-
2009	-
2010	-
2011	-
TOTAL	<u>\$ 3,279</u>

Total rent expense for the year was \$6,552.

### NOTE 6 – MAJOR CONTRIBUTIONS

During the year Advancement of Research for Myopathies (ARM) had contributions from four major donors (over \$ 5,000), representing 13% of the contribution revenues and 8% 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 \$100,000. Such excess is not insured by the Federal Depository Insurance Corporation (FDIC).