MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016, 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 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 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 audits 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, 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.

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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 13 - 14 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 14, 2018
Roseville, California

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	$ 4,336,080	$ 3,496,900
Pledges receivable, current portion	629,483	106,764
Other receivables	-	50,697
Prepaid expenses and deposits	19,760	31,798
Total current assets	4,985,323	3,686,159
Pledges receivable, net of current portion	1,000,000	-
Total assets	$ 5,985,323	$ 3,686,159

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable	$ 15,680	$ 2,771
Accrued liabilities	60,220	61,315
Credit card liabilities	2,342	3,226
Grant obligations, current portion	1,125,658	1,805,463
Total current liabilities	1,203,900	1,872,775
Grant obligations, net of current portion	140,000	412,500
Total liabilities	1,343,900	2,285,275
Net assets:		
Unrestricted	3,570,436	1,170,834
Temporarily restricted	1,070,987	230,050
Total net assets	4,641,423	1,400,884
Total liabilities and net assets	$ 5,985,323	$ 3,686,159

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, 2017 and 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions - annual campaign	$ 125,353	$ 14,979	$ 140,332
Contributions - major donors	2,819,333	1,011,000	3,830,333
Contributions - grassroots fundraising	27,034	20,709	47,743
Grant revenue	300,752	70,614	371,366
Government grants	544,533	-	544,533
Major events	542,115	-	542,115
Interest revenue	6,010	-	6,010
Other income	205,789	-	205,789
Net assets released from restriction	276,365	(276,365)	-
Total revenue	4,847,284	840,937	5,688,221
Expenses:			
Program expenses:			
Care programs	639,625	-	639,625
Research programs	1,150,711	-	1,150,711
Advocacy and communications	296,588	-	296,588
Total program expenses	2,086,924	-	2,086,924
Management and general expenses	144,562	-	144,562
Fundraising expenses	282,377	-	282,377
Total expenses	2,513,863	-	2,513,863
Foreign currency remeasurement gain	66,181	-	66,181
Change in net assets	2,399,602	840,937	3,240,539
Net assets, beginning of year	1,170,834	230,050	1,400,884
Net assets, end of year	$ 3,570,436	$ 1,070,987	$ 4,641,423

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2017 and 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions - annual campaign	$ 120,807	$ 15,551	$ 136,358
Contributions - major donors	691,243	128,590	819,833
Contributions - grassroots fundraising	31,126	36,597	67,723
Grant revenue	125,636	102,580	228,216
Government grants	695,358	-	695,358
Major events	473,170	1,500	474,670
Interest revenue	6,602	-	6,602
In-kind donations	3,432	-	3,432
Other income	35,347	-	35,347
Net assets released from restriction	452,073	(452,073)	-
Total revenue	2,634,794	(167,255)	2,467,539
Expenses:			
Program expenses:			
Care programs	645,872	-	645,872
Research programs	2,393,945	-	2,393,945
Advocacy and communications	405,801	-	405,801
Total program expenses	3,445,618	-	3,445,618
Management and general expenses	144,809	-	144,809
Fundraising expenses	252,134	-	252,134
Total expenses	3,842,561	-	3,842,561
Foreign currency remeasurement loss	(102,712)	-	(102,712)
Change in net assets	(1,310,479)	(167,255)	(1,477,734)
Net assets, beginning of year	2,481,313	397,305	2,878,618
Net assets, end of year	$ 1,170,834	$ 230,050	$ 1,400,884

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2017 and 2016

	Program Expenses					
For the year ended December 31, 2017	Care Programs	Research Programs	Advocacy and Communication	Management and General	Fundraising	2017 Total
Grants	$ 10,000	$ 501,881	$ -	$ -	$ -	$ 511,881
Conferences and meetings	226,221	356,560	3,246	11,128	86,310	683,465
Employee expenses	277,606	182,427	174,496	47,590	111,042	793,161
Program and administrative expenses	17,242	19,215	4,552	29,231	54,250	124,490
Occupancy	17,398	11,502	11,001	2,929	7,001	49,831
Professional fees	91,158	79,126	103,293	53,684	23,774	351,035
Total expenses	$ 639,625	$ 1,150,711	$ 296,588	$ 144,562	$ 282,377	$ 2,513,863

	Program Expenses					
For the year ended December 31, 2016	Care Programs	Research Programs	Advocacy and Communication	Management and General	Fundraising	2016 Total
Grants	$ -	$ 1,866,768	$ -	$ -	$ -	$ 1,866,768
Conferences and meetings	250,072	87,455	233	16,114	63,840	417,714
Employee expenses	282,110	280,543	176,844	49,230	112,537	901,264
Program and administrative expenses	15,212	31,401	4,739	20,349	37,379	109,080
Occupancy	15,797	10,359	9,908	2,667	6,304	45,035
Professional fees	82,681	117,419	214,077	56,449	32,074	502,700
Total expenses	$ 645,872	$ 2,393,945	$ 405,801	$ 144,809	$ 252,134	$ 3,842,561

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 3,240,539	$ (1,477,734)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Pledges receivable	(1,522,719)	(25,224)
Other receivables	50,697	(1,434)
Security deposit	12,038	(5,639)
Accounts payable	12,909	(26,672)
Accrued liabilities	(1,095)	13,004
Credit card liabilities	(884)	(6,503)
Grant obligations	(952,305)	1,077,963
Change in cash and cash equivalents	839,180	(452,239)
Cash and cash equivalents, beginning of year	3,496,900	3,949,139
Cash and cash equivalents, end of year	$ 4,336,080	$ 3,496,900

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

NOTE 1: ORGANIZATION

Myotonic Dystrophy Foundation (MDF) (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 (Wyck) (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.

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, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016, was not required to file a tax return. Accordingly, no returns have been filed for the Affiliate.

Description of Programs

The Foundation works internationally with stakeholder groups that include affected families, industry professionals, academic institutions, and government agencies to carry out comprehensive programming in three areas:

Care – Education, support, and resource program distribution through channels that include the MDF website, newsletters, annual conference, publications, research programs, industry and academic meetings, social media, and phone and in-person outreach.

Research – Funding and programs for basic, translational, and other research to advance disease understanding, accumulate additional data on disease genotype and phenotype, progression, severity and onset, and accelerate and expand therapy development efforts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs (Continued)

Advocacy and Communication – Communication and programs with governmental funding and regulatory agencies, as well as social service and support agencies, to increase funding for myotonic dystrophy research, improve patient access to governmental services and support, and raise visibility of myotonic dystrophy with key audiences, including clinicians, researchers, industry, government, and the general public.

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, 2017 and 2016, totaling $3,068 and $3,528, respectively.

Upcoming Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued *ASU 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Foundation is currently evaluating the impact the amendments in this ASU will have on its financial statements.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842).* The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The Organization is currently evaluating the impact the adoption of this ASU will have on its financial statements.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through June 14, 2018, 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, 2017 and 2016, the uninsured balances were $1,821,230 and $1,406,121, respectively.

NOTE 3: CONCENTRATION OF CREDIT RISK (CONTINUED)

The Affiliate maintains its cash and cash equivalents in international financial institutions. Using the exchange rate in effect on December 31, 2017, the amount insured by the Financial Services Compensation Scheme and Depositors' Compensation Scheme was $101,184 and $67,456, respectively, and the uninsured balance was $1,978,255. Using the exchange rate in effect on December 31, 2016, the amount insured by the Financial Services Compensation Scheme and Depositors' Compensation Scheme was $92,520 and $61,680, respectively, and the uninsured balance was $1,670,453.

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, 2017 and 2016.

NOTE 4: PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when the pledge is made and discounted to present value when applicable and material. 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:

	2017	2016
In one year or less	$ 629,483	$ 106,764
One to two years	1,000,000	-
	$ 1,629,483	$ 106,764

NOTE 5: LEASE COMMITMENTS

Operating Lease
The Foundation leases office space under operating lease. The minimum future lease payments required under this lease at December 31, 2017 are as follows:

December 31:	
2018	$ 51,418
2019	52,961
2020	13,337
Total minimum lease payments	$ 117,716

Rent expense totaled $49,831 and $45,035 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6: 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, 2017, summarized by year in which the amounts are due:

Year Ending December 31:	
2018	$ 1,125,658
2019	140,000
	$ 1,265,658

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, are available for the following purposes:

	2017	2016
Research-related activities	$ 1,070,987	$ 230,050

The following schedule shows the amounts released and restricted within temporarily restricted net assets for the years ended December 31, 2017 and 2016:

	2017	2016
Beginning balance of temporarily restricted net assets	$ 230,050	$ 397,305
Net assets temporarily restricted for research programs	1,082,952	231,318
Net assets temporarily restricted for care programs	34,350	53,500
Net assets released from restriction by qualifying expenditures	(276,365)	(452,073)
Ending balance of temporarily restricted net assets	$ 1,070,987	$ 230,050

SUPPLEMENTARY INFORMATION

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS

	2017				2016
	MDF USA	Wyck UK	Eliminating Entry	Total	Total
Current assets:					
Cash and cash equivalents	$ 2,189,185	$ 2,146,895	$ -	$ 4,336,080	$ 3,496,900
Pledges receivable, current portion	79,950	549,533	-	629,483	106,764
Other receivables	-	-	-	-	50,697
Prepaid expenses and deposits	19,760	-	-	19,760	31,798
Total current assets	2,288,895	2,696,428	-	4,985,323	3,686,159
Pledges receivable, net of current portion	1,000,000	-	-	1,000,000	-
				-	
Total assets	$ 3,288,895	$ 2,696,428	$ -	$ 5,985,323	$ 3,686,159

LIABILITIES AND NET ASSETS

	MDF USA	Wyck UK	Eliminating Entry	2017 Total	2016 Total
Current liabilities:					
Accounts payable	$ 15,680	$ -	$ -	$ 15,680	$ 2,771
Accrued liabilities	60,220	-	-	60,220	61,315
Credit card liabilities	2,342	-	-	2,342	3,226
Grant obligations, current portion	51,000	1,074,658	-	1,125,658	1,805,463
Total current liabilities	129,242	1,074,658	-	1,203,900	1,872,775
Grant obligations, net of current portion	-	140,000	-	140,000	412,500
Total liabilities	129,242	1,214,658	-	1,343,900	2,285,275
Net assets:					
Unrestricted	2,088,666	1,481,770	-	3,570,436	1,170,834
Temporarily restricted	1,070,987	-	-	1,070,987	230,050
Total net assets	3,159,653	1,481,770	-	4,641,423	1,400,884
Total liabilities and net assets	$ 3,288,895	$ 2,696,428	$ -	$ 5,985,323	$ 3,686,159

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, 2017 and 2016

	2017				2016
	MDF USA	Wyck UK	Eliminating Entry	Total	Total
Revenue:					
Contributions - annual campaign	$ 140,332	$ -	$ -	$ 140,332	$ 136,358
Contributions - major donors	1,830,333	2,000,000	-	3,830,333	819,833
Contributions - grassroots fundraising	47,743	-	-	47,743	67,723
Grant revenue	541,670	-	(170,304)	371,366	228,216
Government grants	-	544,533	-	544,533	695,358
Major events	542,115	-	-	542,115	474,670
Interest revenue	3,092	2,918	-	6,010	6,602
In-kind donations	-	-	-	-	3,432
Other income	205,789	-	-	205,789	35,347
Total revenue	3,311,074	2,547,451	(170,304)	5,688,221	2,467,539
Expenses:					
Program expenses:					
Care programs	639,625	-	-	639,625	645,872
Research programs	711,015	610,000	(170,304)	1,150,711	2,393,945
Advocacy and communications	296,588	-	-	296,588	405,801
Total program expenses	1,647,228	610,000	(170,304)	2,086,924	3,445,618
Management and general expenses	142,570	1,992	-	144,562	144,809
Fundraising expenses	282,377	-	-	282,377	252,134
Total expenses	2,072,175	611,992	(170,304)	2,513,863	3,842,561
Foreign currency remeasurement gain (loss)	-	66,181	-	66,181	(102,712)
Change in net assets	1,238,899	2,001,640	-	3,240,539	(1,477,734)
Net assets, beginning of year	1,920,754	(519,870)	-	1,400,884	2,878,618
Net assets, end of year	$ 3,159,653	$ 1,481,770	$ -	$ 4,641,423	$ 1,400,884

See independent auditor's report.