

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 14
SUPPLEMENTARY INFORMATION	
Consolidating Statements of Financial Position	15
Consolidating Statements of Revenue, Expenses and Changes in Net Assets	16

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, 2019 and 2018, 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, 2019 and 2018, 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.

9261 Sierra College Boulevard
Roseville, California 95661

916.751.2900
916.751.2979 FAX

pccllp.com

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 15 - 16 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.

Brogg Christensen Caniglia LLP

June 13, 2020
Roseville, California

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 3,309,608	\$ 3,743,845
Investments	1,017,125	1,000,707
Pledges receivable, current portion	200,000	169,909
Prepaid expenses and deposits	22,192	21,697
Total current assets	4,548,925	4,936,158
Pledges receivable, net of current portion	575,000	775,000
Total assets	\$ 5,123,925	\$ 5,711,158

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 23,173	\$ 63,518
Accrued liabilities	17,742	36,281
Credit card liabilities	5,972	12,752
Grant obligations, current portion	1,214,629	1,137,562
Total current liabilities	1,261,516	1,250,113
Grant obligations, net of current portion	131,250	-
Total liabilities	1,392,766	1,250,113
Net assets:		
Without donor restrictions	3,013,739	3,492,223
With donor restrictions	717,420	968,822
Total net assets	3,731,159	4,461,045
Total liabilities and net assets	\$ 5,123,925	\$ 5,711,158

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, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions - annual campaign	\$ 182,539	\$ 11,712	\$ 194,251
Contributions - major donors	309,269	78,000	387,269
Contributions - grassroots fundraising	113,359	3,100	116,459
Grant revenue	56,126	115,520	171,646
Major events	1,072,762	-	1,072,762
Net return on investments	24,528	-	24,528
Other income	75,663	-	75,663
Net assets released from restriction	459,734	(459,734)	-
Total revenue	<u>2,293,980</u>	<u>(251,402)</u>	<u>2,042,578</u>
Expenses:			
Program expenses:			
Care programs	607,892	-	607,892
Research programs	1,222,315	-	1,222,315
Advocacy and communications	353,097	-	353,097
Total program expenses	2,183,304	-	2,183,304
Management and general expenses	188,431	-	188,431
Fundraising expenses	400,741	-	400,741
Total expenses	<u>2,772,476</u>	<u>-</u>	<u>2,772,476</u>
Foreign currency remeasurement gain	12	-	12
Change in net assets	(478,484)	(251,402)	(729,886)
Net assets, beginning of year	<u>3,492,223</u>	<u>968,822</u>	<u>4,461,045</u>
Net assets, end of year	<u>\$ 3,013,739</u>	<u>\$ 717,420</u>	<u>\$ 3,731,159</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, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions - annual campaign	\$ 170,167	\$ 5,204	\$ 175,371
Contributions - major donors	676,145	21,098	697,243
Contributions - grassroots fundraising	52,581	11,078	63,659
Grant revenue	222,262	161,300	383,562
Government grants	32,677	-	32,677
Major events	540,538	-	540,538
Net return on investments	22,286	-	22,286
Other income	68,225	-	68,225
Net assets released from restriction	300,845	(300,845)	-
	2,085,726	(102,165)	1,983,561
Expenses:			
Program expenses:			
Care programs	607,279	-	607,279
Research programs	732,566	-	732,566
Advocacy and communications	321,728	-	321,728
	1,661,573	-	1,661,573
Management and general expenses	184,595	-	184,595
Fundraising expenses	303,258	-	303,258
	2,149,426	-	2,149,426
Foreign currency remeasurement loss	(14,513)	-	(14,513)
Change in net assets	(78,213)	(102,165)	(180,378)
Net assets, beginning of year	3,570,436	1,070,987	4,641,423
Net assets, end of year	\$ 3,492,223	\$ 968,822	\$ 4,461,045

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, 2019 and 2018

	Program Expenses						2019 Total
	Care Programs	Research Programs	Advocacy and Communication	Total Program	Management and General	Fundraising	
For the year ended December 31, 2019							
Grants	\$ -	\$ 759,502	\$ -	\$ 759,502	\$ -	\$ -	\$ 759,502
Conferences and meetings	290,476	50,821	245	341,542	25,621	222,922	590,085
Employee expenses	209,492	137,667	131,681	478,840	35,914	83,797	598,551
Program and administrative	15,312	37,067	13,867	66,246	22,176	57,447	145,869
Occupancy	18,583	12,188	11,657	42,428	3,142	7,420	52,990
Professional fees	74,029	225,070	195,647	494,746	101,578	29,155	625,479
Total expenses	<u>\$ 607,892</u>	<u>\$ 1,222,315</u>	<u>\$ 353,097</u>	<u>\$ 2,183,304</u>	<u>\$ 188,431</u>	<u>\$ 400,741</u>	<u>\$ 2,772,476</u>
	Program Expenses						2018 Total
	Care Programs	Research Programs	Advocacy and Communication	Total Program	Management and General	Fundraising	
For the year ended December 31, 2018							
Grants	\$ -	\$ 389,755	\$ -	\$ 389,755	\$ -	\$ -	\$ 389,755
Conferences and meetings	253,348	45,879	2,966	302,193	22,926	130,936	456,055
Employee expenses	259,483	170,312	163,103	592,898	44,470	103,793	741,161
Program and administrative	11,873	24,089	3,388	39,350	53,551	31,981	124,882
Occupancy	18,896	12,418	11,878	43,192	3,343	7,559	54,094
Professional fees	63,679	90,113	140,393	294,185	60,305	28,989	383,479
Total expenses	<u>\$ 607,279</u>	<u>\$ 732,566</u>	<u>\$ 321,728</u>	<u>\$ 1,661,573</u>	<u>\$ 184,595</u>	<u>\$ 303,258</u>	<u>\$ 2,149,426</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (729,886)	\$ (180,378)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(396)	(781)
Bad debt expense	-	15,000
Changes in operating assets and liabilities:		
Pledges receivable	169,909	669,574
Security deposit	(495)	(1,937)
Accounts payable	(40,345)	47,838
Accrued liabilities	(18,539)	(23,939)
Credit card liabilities	(6,780)	10,410
Grant obligations	208,317	(128,096)
Net cash provided by (used in) operating activities	<u>(418,215)</u>	<u>407,691</u>
Cash flows from investing activities:		
Purchase of investments	(4,041,281)	(999,926)
Proceeds from sale of investments	<u>4,025,259</u>	<u>-</u>
Net cash used in investing activities	<u>(16,022)</u>	<u>(999,926)</u>
Change in cash and cash equivalents	(434,237)	(592,235)
Cash and cash equivalents, beginning of year	<u>3,743,845</u>	<u>4,336,080</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,309,608</u></u>	<u><u>\$ 3,743,845</u></u>

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

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1: PURPOSE AND 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.

Myotonic UK, formerly known as 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 Myotonic UK 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 Myotonic UK. The consolidated financial statements of the Foundation include the accounts of Myotonic UK, and all inter-organizational balances and transactions have been eliminated.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board modified Accounting Standards Codification (ASC) Section 958 by issuing Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of 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 Organization has adopted the provision as of December 31, 2018.

The Foundation presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Foundation is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations;

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues and gains and losses from operations are reported as changes in net assets without donor restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. However, donor-restricted contributions whose restrictions are met in the same reporting period have been reported as net assets without donor restrictions.

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.

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.

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.

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.

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, 2019 and 2018, to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. The purpose of this Update is to clarify and improve the scope and the accounting guidance for contributions received and made. The amendments in the Update provide a decision-making model to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. There was no effect to the Foundation's net assets as a result of the implementation of this Update.

Cash and Cash Equivalents

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

Investments

The Foundation and its affiliate hold its investments in US Treasury Securities which are carried at fair market value. Related income and expenses are reported as net return on investment.

Fair Value Measurements

The Foundation has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10 (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Foundation's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The following methods and assumptions were used to estimate the fair values of assets and liabilities:

US Treasury Securities: The fair values are based on unadjusted quoted market prices for identical assets traded within active markets.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, was not required to file a tax return in the United States of America.

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, 2019 and 2018, totaling \$1,595 and \$11,262, respectively.

Upcoming Accounting Pronouncements

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 Foundation is currently evaluating the impact the adoption of this ASU will have on its financial statements.

Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 13, 2020, the date that the financial statements were available to be issued. The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in multiple financial institutions in excess of the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. At December 31, 2019 and 2018, the uninsured balances were \$1,829,533 and \$1,099,038, respectively.

The Affiliate maintains its cash and cash equivalents in international financial institutions. Using the exchange rate in effect on December 31, 2019, the amount insured by the Financial Services Compensation Scheme and Depositors' Compensation Scheme was \$97,575 and \$65,050, respectively, and the uninsured balance was \$1,023,177. Using the exchange rate in effect on December 31, 2018, the amount insured by the Financial Services Compensation Scheme and Depositors' Compensation Scheme was \$95,177 and \$63,451, respectively, and the uninsured balance was \$1,805,646.

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, 2019 and 2018.

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,309,608	\$ 3,743,845
Investments	1,017,125	1,000,707
Pledges receivable, current portion	<u>200,000</u>	<u>169,909</u>
Financial assets	4,526,733	4,914,461
Less those unavailable for general expenditure within one year, due to purpose restrictions stipulated by donors	<u>(717,420)</u>	<u>(968,822)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 3,809,313</u>	<u>\$ 3,945,639</u>

NOTE 5: INVESTMENTS

The following is a summary of investments as of December 31, 2019 and 2018:

	<u>Cost</u>	<u>Unrealized Holding Gain</u>	<u>Fair Value at Quoted Market Price</u>
<u>2019</u>			
US Treasury Securities			
Maturing in less than 1 year	<u>\$ 1,016,729</u>	<u>\$ 396</u>	<u>\$ 1,017,125</u>
<u>2018</u>			
US Treasury Securities			
Maturing in less than 1 year	<u>\$ 999,926</u>	<u>\$ 781</u>	<u>\$ 1,000,707</u>

The following is a summary of net return on investments as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 24,132	\$ 21,505
Unrealized gains	<u>396</u>	<u>781</u>
Net return on investments	<u>\$ 24,528</u>	<u>\$ 22,286</u>

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 6: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2019</u>				
US Treasury Securities	<u>\$ 1,017,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,125</u>
<u>2018</u>				
US Treasury Securities	<u>\$ 1,000,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,707</u>

NOTE 7: 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:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 200,000	\$ 169,909
One to two years	<u>575,000</u>	<u>775,000</u>
	<u>\$ 775,000</u>	<u>\$ 944,909</u>

NOTE 8: LEASE COMMITMENTS

Operating Lease

The Foundation leases office space under operating lease ending March 2020. The minimum future lease payments required under this lease at December 31, 2019 totaled \$13,337.

Subsequent to year end, the Foundation entered into an operating lease agreement for office space commencing May 15, 2020 and ending April 30, 2022.

NOTE 9: 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, 2019, summarized by year in which the amounts are due:

<u>December 31:</u>	
2020	\$ 1,214,629
2021	<u>131,250</u>
Total	<u>\$ 1,345,879</u>

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018, are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Research-related activities	<u>\$ 717,420</u>	<u>\$ 968,822</u>

The following schedule shows the amounts released and restricted within net assets with donor restrictions for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance of net assets with donor restrictions	\$ 968,822	\$ 1,070,987
Net assets with donor restrictions for research programs	132,182	163,680
Net assets with donor restrictions for care programs	76,150	35,000
Net assets released from restriction with qualifying expenditures	<u>(459,734)</u>	<u>(300,845)</u>
Ending balance of net assets with donor restrictions	<u>\$ 717,420</u>	<u>\$ 968,822</u>

SUPPLEMENTARY INFORMATION

MYOTONIC DYSTROPHY FOUNDATION AND AFFILIATE

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	2019			2018	
	MDF USA	Myotonic UK	Eliminating Entry	Total	Total
Current assets:					
Cash and cash equivalents	\$ 2,124,571	\$ 1,185,037	\$ -	\$ 3,309,608	\$ 3,743,845
Investments	1,017,125	-	-	1,017,125	1,000,707
Pledges receivable, current portion	216,519	-	(16,519)	200,000	169,909
Prepaid expenses and deposits	22,192	-	-	22,192	21,697
Total current assets	<u>3,380,407</u>	<u>1,185,037</u>	<u>(16,519)</u>	<u>4,548,925</u>	<u>4,936,158</u>
Pledges receivable, net of current portion	<u>575,000</u>	<u>-</u>	<u>-</u>	<u>575,000</u>	<u>775,000</u>
Total assets	<u>\$ 3,955,407</u>	<u>\$ 1,185,037</u>	<u>\$ (16,519)</u>	<u>\$ 5,123,925</u>	<u>\$ 5,711,158</u>

LIABILITIES AND NET ASSETS

Current liabilities:					
Accounts payable	\$ 19,558	\$ 20,134	\$ (16,519)	\$ 23,173	\$ 63,518
Accrued liabilities	17,742	-	-	17,742	36,281
Credit card liabilities	5,972	-	-	5,972	12,752
Grant obligations, current portion	500,146	714,483	-	1,214,629	1,137,562
Total current liabilities	<u>543,418</u>	<u>734,617</u>	<u>(16,519)</u>	<u>1,261,516</u>	<u>1,250,113</u>
Grant obligations, net of current portion	<u>65,625</u>	<u>65,625</u>	<u>-</u>	<u>131,250</u>	<u>-</u>
Total liabilities	<u>609,043</u>	<u>800,242</u>	<u>(16,519)</u>	<u>1,392,766</u>	<u>1,250,113</u>
Net assets:					
Without donor restrictions	2,628,944	384,795	-	3,013,739	3,492,223
With donor restrictions	717,420	-	-	717,420	968,822
Total net assets	<u>3,346,364</u>	<u>384,795</u>	<u>-</u>	<u>3,731,159</u>	<u>4,461,045</u>
Total liabilities and net assets	<u>\$ 3,955,407</u>	<u>\$ 1,185,037</u>	<u>\$ (16,519)</u>	<u>\$ 5,123,925</u>	<u>\$ 5,711,158</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, 2019 and 2018

	2019			2018	
	MDF USA	Myotonic UK	Eliminating Entry	Total	Total
Revenue:					
Contributions - annual campaign	\$ 194,251	\$ -	\$ -	\$ 194,251	\$ 175,371
Contributions - major donors	387,269	-	-	387,269	697,243
Contributions - grassroots fundraising	116,459	-	-	116,459	63,659
Grant revenue	674,391	-	(502,745)	171,646	383,562
Government grants	-	-	-	-	32,677
Major events	1,072,762	-	-	1,072,762	540,538
Net return on investments	16,956	7,572	-	24,528	22,286
Other income	75,663	-	-	75,663	68,225
Total revenue	<u>2,537,751</u>	<u>7,572</u>	<u>(502,745)</u>	<u>2,042,578</u>	<u>1,983,561</u>
Expenses:					
Program expenses:					
Care programs	607,892	-	-	607,892	607,279
Research programs	964,475	760,585	(502,745)	1,222,315	732,566
Advocacy and communications	353,097	-	-	353,097	321,728
Total program expenses	1,925,464	760,585	(502,745)	2,183,304	1,661,573
Management and general expenses	187,568	863	-	188,431	184,595
Fundraising expenses	400,741	-	-	400,741	303,258
Total expenses	<u>2,513,773</u>	<u>761,448</u>	<u>(502,745)</u>	<u>2,772,476</u>	<u>2,149,426</u>
Foreign currency remeasurement gain (loss)	-	12	-	12	(14,513)
Change in net assets	23,978	(753,864)	-	(729,886)	(180,378)
Net assets, beginning of year	3,322,386	1,138,659	-	4,461,045	4,641,423
Net assets, end of year	<u>\$ 3,346,364</u>	<u>\$ 384,795</u>	<u>\$ -</u>	<u>\$ 3,731,159</u>	<u>\$ 4,461,045</u>

See independent auditor's report.