

**CURE JM FOUNDATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**AT SEPTEMBER 30, 2017  
AND FOR THE YEAR THEN ENDED**

**CURE JM FOUNDATION**

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**INDEPENDENT AUDITORS' REPORT**

**TO THE BOARD OF DIRECTORS OF  
CURE JM FOUNDATION**

We have audited the accompanying financial statements of Cure JM Foundation (a non-profit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Cure JM Foundation as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Cure JM Foundation's September 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on Schedule I is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Van Brunt, Dubuque & Company, LLC*

Stamford, Connecticut  
August 7, 2018

**CURE JM FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AT SEPTEMBER 30, 2017**  
(With Comparative Totals at September 30, 2016)

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 916,737	\$ 734,038
Other Receivable	-	4,777
Investments	766,390	759,623
Prepaid Expenses	<u>2,309</u>	<u>2,862</u>
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 1,685,436</u>	<u>\$ 1,501,300</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 10,672	\$ 3,987
Grants Payable	244,400	142,500
Payroll Taxes Payable	<u>81,499</u>	<u>27,747</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>336,571</u>	<u>174,234</u>
<b>NET ASSETS</b>		
Unrestricted	1,158,837	1,149,538
Temporarily Restricted	<u>190,028</u>	<u>177,528</u>
<b>TOTAL NET ASSETS</b>	<u>1,348,865</u>	<u>1,327,066</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,685,436</u>	<u>\$ 1,501,300</u>

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION  
WITH THESE FINANCIAL STATEMENTS

## CURE JM FOUNDATION

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
 (With Comparative Totals for the Year Ended September 30, 2016)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2017</u>	<u>2016</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 854,740	\$ 162,500	\$ 1,017,240	\$ 950,717
Grants	1,500	-	1,500	-
Fundraising and Special Events	702,633	-	702,633	337,747
Online Store	4,680	-	4,680	1,096
Realized / Unrealized Gain (Loss) on Sale of Securities	146	-	146	(7)
Interest	7,770	-	7,770	5,936
Net Assets Released from Restrictions	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,721,469</u>	<u>12,500</u>	<u>1,733,969</u>	<u>1,295,489</u>
<b>EXPENSES</b>				
Program Services				
Research Grants	950,030	-	950,030	685,600
Education and Awareness	245,819	-	245,819	120,003
Conferences	96,629	-	96,629	59,181
Supporting Services				
Management and General	101,542	-	101,542	67,200
Fundraising and Special Events	<u>318,150</u>	<u>-</u>	<u>318,150</u>	<u>169,836</u>
<b>TOTAL EXPENSES</b>	<u>1,712,170</u>	<u>-</u>	<u>1,712,170</u>	<u>1,101,820</u>
<b>CHANGE IN NET ASSETS</b>	9,299	12,500	21,799	193,669
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,149,538</u>	<u>177,528</u>	<u>1,327,066</u>	<u>1,133,397</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,158,837</u>	<u>\$ 190,028</u>	<u>\$ 1,348,865</u>	<u>\$ 1,327,066</u>

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS

**CURE JM FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
(With Comparative Totals for the Year Ended September 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 21,799	\$ 193,669
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in:		
Matching Gifts Receivable	-	1,105
Other Receivable	4,777	(737)
Prepaid Expenses	553	888
Increase (Decrease) in:		
Accounts Payable	6,685	(484)
Grants Payable	101,900	67,500
Payroll Taxes Payable	<u>53,752</u>	<u>27,747</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>189,466</u>	<u>289,688</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Short Term Investments	(1,272,301)	(1,262,070)
Maturity of Short Term Investments	<u>1,265,534</u>	<u>1,256,774</u>
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<u>(6,767)</u>	<u>(5,296)</u>
<b>NET INCREASE IN CASH</b>	182,699	284,392
<b>CASH AT BEGINNING OF YEAR</b>	<u>734,038</u>	<u>449,646</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 916,737</u>	<u>\$ 734,038</u>

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION  
WITH THESE FINANCIAL STATEMENTS

## CURE JM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### 1. THE ORGANIZATION

Cure JM Foundation (the "Organization"), is a public nonprofit Organization established on October 11, 2003 focused on finding better treatments and a cure for Juvenile Myositis ("JM") and improving the lives of families affected by JM. The Organization's support is derived primarily from donor contributions. The Organization facilitates communication and collaboration between researchers, physicians, other related organizations and patients to find a more effective treatment, and ultimately a cure for the disease.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Cure JM Foundation is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied.

##### Method of Accounting

The Organization uses the accrual method of accounting which gives recognition to income when earned and expenses when incurred.

##### Financial Statement Presentation

The Organization prepares its financial statements using standards established by the Financial Accounting Standards Board. Accounting standards require that a not-for-profit organization provide information regarding the net assets of the organization based on the existence or absence of donor-imposed restrictions.

The types of restrictions are described as follows:

*Permanently restricted net assets* - The part of the net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

*Temporarily restricted net assets* - The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

*Unrestricted net assets* - The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

##### Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

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## CURE JM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

##### Investments

The Organization follows FASB ASC 820-10 guidance on "Fair Value Measurements" which established a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable, either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In accordance with FASB ASC-958 guidance on investment income, gains and losses are reported as increases or decreases in unrestricted net assets unless its use is temporarily or permanently restricted by explicit donor stipulations. However, investment income that is limited to specific uses by donor-imposed restrictions is reported as increases in unrestricted net assets when the restrictions are met in the same reporting period.

##### Income Taxes

Cure JM Foundation is a "not-for-profit" organization as described in Section 501(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Cure JM Foundation accounts for uncertainty in income tax positions in the financial statements by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has analyzed the tax positions taken and has concluded that as of September 30, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Cure JM Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Federal information returns are subject to examination for a period of three years from the filing date of the return; fiscal years ending September 30, 2014 – September 30, 2016 remain open.

##### Contributions and Bequests

All contributions are considered available for the general programs of the Organization, unless specifically restricted by the donor. The Organization reports monetary gifts as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or are subject to time restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted net assets.

##### Grants

The Organization awards funds each year to support research projects. The projects generally extend over a period not to exceed two years and may be subject to renewal at the option of the Board of Directors based on the terms of the grant. The liability and related expenses are recorded when the recipients are notified of their grant.

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**CURE JM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Comparative Financial Data

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Cure JM Foundation's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

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.

**3. OTHER RECEIVABLE**

As of September 30, 2016, the Organization was due \$4,777 from Eventbrite for registration fees related to the Walk Strong to Cure JM event held in Seattle, WA in October 2016 and to the 10<sup>th</sup> National Family Educational Conference and Fundraising event held in Austin, TX on February 17-19, 2017. Funds were received within one month after each event.

**4. INVESTMENTS**

The Organization's investments at September 30, 2017 and 2016 respectively consist of the following:

	<u>2017</u>	<u>2016</u>
Level 1 Investments		
Certificates of Deposit	<u>\$ 766,390</u>	<u>\$ 759,623</u>

**5. RESEARCH GRANTS**

On October 10, 2016, the Organization awarded a grant of \$100,000 per year for three years to the National Center for Advancing Translational Sciences (NCATS), an Institute of the National Institutes of Health (NIH), to advance translational science research in the area of Juvenile autoimmune disorders. The research will focus on assay development and compound discovery for potential treatment of the autoimmune disorders. The first payment of \$100,000 was paid in full on February 14, 2017.

On December 1, 2016, the Organization awarded a grant of \$40,000 to a researcher at the University of Pittsburgh to test the reliability and validity of step counts measured by PAMS in JM and to test the responsiveness to change of PAM-derived step counts in JM. The first payment of \$20,000 was paid on June 30, 2017 and the balance of \$20,000 was paid on December 22, 2017.

On December 1, 2016, the Organization awarded a grant of \$35,000 to a doctor at Ann and Robert H. Lurie Children's Hospital of Chicago for the validation of PROMIS in Juvenile Myositis. The first payment of \$17,500 was paid on June 30, 2017 and the balance of \$17,500 was paid on December 22, 2017.

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## CURE JM FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### 5. RESEARCH GRANTS(Cont'd)

On December 6, 2016, the Organization awarded a grant of \$40,000 to Ospedale Pediatric Bambino Gesù in Italy to support the investigation of the outcomes of Type I interferons and or Type II interferon in the pathogenesis of Juvenile Dermatomyositis and to correlate the activation levels of IFN with clinical and histological features. The first payment of \$20,000 was paid on July 27, 2017 and the balance of \$20,000 will be paid in the subsequent fiscal year.

On January 30, 2017, the Organization awarded a grant of \$40,300 to a doctor and Duke University to identify aberrant patterns of metabolite expression in blood and muscle of children with JDM to develop new biomarkers that can aid in the diagnosis and staging of JDM and thereby inform treatment of patients with JDM. The first payment of \$20,150 was paid on June 30, 2017 and the balance of \$20,150 was paid on April 30, 2018.

On January 30, 2017, the Organization awarded a grant of \$26,230 to support research of a doctor at the National Institute of Arthritis and Musculoskeletal and Skin Diseases. The grant is being administered by The Myositis Association. Payment was made in full on April 25, 2017.

On April 7, 2017, the Organization awarded a grant of \$250,000 to Ann and Robert H. Lurie Children's Hospital of Chicago to be used solely for the Cure JM Program of Excellence in Juvenile Myositis Research. The first payment of \$125,000 was paid on June 16, 2017. The second payment of \$62,500 was paid on September 30, 2017 and the final payment of \$62,500 was paid on December 22, 2017.

On May 1, 2017, the Organization awarded a grant of \$123,500 to the Children's Hospital of Philadelphia to be used to collect blood samples from JM/JDM patients and families, isolate DNA, PBMCs, plasma and serum and to genotype and sequence the samples for gene discovery. The first payment of \$30,875 was paid on June 19, 2017. The second payment of \$30,875 was paid on September 30, 2017. The third payment of \$30,875 was paid on December 22, 2017 and the final payment of \$30,875 was paid on April 30, 2018.

On June 1, 2017, the Organization awarded George Washington University a grant of \$170,000 in support of the Cure JM Center of Excellence at George Washington University Medical Faculty Associates. The first payment of \$85,000 was paid on June 16, 2017. The second payment of \$42,500 was paid on September 30, 2017 and the final payment of \$42,500 was paid on December 22, 2017.

On August 11, 2017, the Organization made a funding agreement with Childhood Arthritis and Rheumatology Research Alliance in California to expand the registry to include patients with Juvenile Dermatomyositis (JDM). On the same day, the Organization paid \$125,000. On the first anniversary of the agreement and every 180 days thereafter, the Organization shall pay \$62,500. The total amount to be contributed by Cure JM Foundation towards the registry expansion is \$625,000.

#### 6. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2017, the Organization had uninsured bank balances of \$633,213.

#### 7. DONATED SERVICES AND FACILITIES

The Organization conducts the majority of its support services at 836 Lynwood Drive, Encinitas, California. The Organization does not occupy any significant part of the real property and therefore, no fair value of the rental space has been made.

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CURE JM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2017 are available for the following purposes:

Specific Research - scope to be determined	\$ 11,528
Advance Translational Science Research (NCATS)	166,000
Intel Encore Fellows	<u>12,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 190,028</u>

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 7, 2018, the date which the financial statements were available for issue.

On January 18, 2018, the Organization awarded George Washington University a grant of \$130,000 to be used for "Determinants of Fatigue in Juvenile Dermatomyositis". The first payment of \$32,500 was paid on April 30, 2018. The second payment of \$32,500 was paid on June 1, 2018. The third payment of \$32,500 will be paid in January 2019 and the final payment of \$32,500 will be paid in June 2019.

On January 18, 2018, the Organization awarded a grant of \$40,000 to the Children's Hospital of Pittsburgh of the University of Pittsburgh Medical Center to analyze myositis with ultrasound and exercise in kids (AMUSE Kids). Payment was made in full on April 30, 2018.

On April 22, 2018, the Organization awarded a grant of \$120,000 to a doctor and the University of California, San Francisco for a fellowship to conduct research on longitudinal immune profiling for biomarker discovery in patients with Juvenile Dermatomyositis. The first payment of \$30,000 was paid on July 27, 2018. The second payment of \$30,000 will be paid in January 2019. The third payment of \$30,000 will be paid in July 2019 and the final payment of \$30,000 will be paid in January 2020.

On April 27, 2018, the Organization awarded George Washington University a grant of \$200,000 in support of the Cure JM Center of Excellence at George Washington University Medical Facility Associates. The first payment of \$50,000 was paid on June 12, 2018. The second payment of \$50,000 will be paid in September 2018 and the final payment of \$100,000 will be paid in December 2018.

On June 15, 2018 the Organization awarded a grant of \$200,000 to Ann and Robert H. Lurie Children's Hospital of Chicago to provide financial support for the Cure JM Center of Excellence. The first payment of \$100,000 was paid on July 18, 2018. The second payment of \$50,000 will be paid in September 2018 and the final payment of \$50,000 will be paid in December 2018.

On October 19, 2017, the Organization loaned \$50,000 at an interest rate of 5% per annum to ReveraGen BioPharma, Inc. to be used in developing and bringing to market a compound known as vamorolone. The loan principal shall be repaid in full October 19, 2018.

**SUPPLEMENTARY INFORMATION**

CURE JM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>PROGRAM EXPENSE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING AND SPECIAL EVENTS</u>	<u>TOTAL</u>
Research Grants	\$ 950,030	-	-	\$ 950,030
Website Development and Maintenance	20,695	-	9,169	29,864
Email Provider and Message Services	1,967	-	-	1,967
Educational Events and Materials	18,413	-	-	18,413
Conferences	96,629	19,234	35,773	151,636
Special Events	-	-	115,550	115,550
Fees - Bank, Credit Cards and Processors	-	130	20,140	20,270
Professional Fees	9,748	26,279	36,580	72,607
Postage and Shipping	3,323	2,117	5,786	11,226
Printing and Copying	28,408	-	10,916	39,324
Insurance	-	3,958	-	3,958
Supplies	-	2,138	48	2,186
Filing Fees	-	2,170	-	2,170
Software and Database	-	8,092	-	8,092
Telephone and Fax	-	2,905	-	2,905
Processing Fees	-	580	-	580
Travel and Meeting Expense	27,114	1,630	-	28,744
Salary and Taxes	122,734	32,309	82,031	237,074
JM Book Production and Distribution	7,917	-	-	7,917
Materials	-	-	2,157	2,157
Program	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>5,500</u>
<b>TOTALS</b>	<u>\$ 1,292,478</u>	<u>\$ 101,542</u>	<u>\$ 318,150</u>	<u>\$ 1,712,170</u>