

CURE JM FOUNDATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**AT SEPTEMBER 30, 2018
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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, 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 1 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 Buren, DuBois & Company, LLC

Stamford, Connecticut
August 27, 2019

CURE JM FOUNDATION
STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2018
(With Comparative Totals at September 30, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 1,299,313	\$ 916,737
Other Receivable	5,579	-
Investments	774,566	766,390
Prepaid Expenses	<u>12,392</u>	<u>2,309</u>
TOTAL CURRENT ASSETS	<u>2,091,850</u>	<u>1,685,436</u>
OTHER ASSETS		
Loan Receivable	50,000	-
Accrued Interest	<u>2,425</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>52,425</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,144,275</u>	<u>\$ 1,685,436</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 16,697	\$ 10,672
Grants Payable	452,500	244,400
Payroll Taxes Payable	<u>63,553</u>	<u>81,499</u>
TOTAL CURRENT LIABILITIES	<u>532,750</u>	<u>336,571</u>
NET ASSETS		
Unrestricted	1,367,997	1,158,837
Temporarily Restricted	<u>243,528</u>	<u>190,028</u>
TOTAL NET ASSETS	<u>1,611,525</u>	<u>1,348,865</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,144,275</u>	<u>\$ 1,685,436</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, 2018
 (With Comparative Totals for the Year Ended September 30, 2017)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE				
Contributions	\$ 1,135,981	\$ 218,500	\$ 1,354,481	\$ 1,017,240
Grants	250	-	250	1,500
Fundraising and Special Events	605,153	-	605,153	702,633
Online Store	3,098	-	3,098	4,680
Realized / Unrealized Gain (Loss) on Sale of Securities	-	-	-	146
Interest	11,812	-	11,812	7,770
Net Assets Released from Restrictions	<u>165,000</u>	<u>(165,000)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,921,294</u>	<u>53,500</u>	<u>1,974,794</u>	<u>1,733,969</u>
EXPENSES				
Program Services				
Research Grants	914,637	-	914,637	950,030
Education and Awareness	193,823	-	193,823	245,819
Conferences	96,668	-	96,668	96,629
Supporting Services				
Management and General	141,431	-	141,431	101,542
Fundraising and Special Events	<u>365,575</u>	<u>-</u>	<u>365,575</u>	<u>318,150</u>
TOTAL EXPENSES	<u>1,712,134</u>	<u>-</u>	<u>1,712,134</u>	<u>1,712,170</u>
CHANGE IN NET ASSETS	209,160	53,500	262,660	21,799
NET ASSETS AT BEGINNING OF YEAR	<u>1,158,837</u>	<u>190,028</u>	<u>1,348,865</u>	<u>1,327,066</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,367,997</u>	<u>\$ 243,528</u>	<u>\$ 1,611,525</u>	<u>\$ 1,348,865</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, 2018
(With Comparative Totals for the Year Ended September 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 262,660	\$ 21,799
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in:		
Other Receivable	(5,579)	4,777
Prepaid Expenses	(10,083)	553
Loan Receivable	(50,000)	-
Accrued Interest	(2,425)	-
Increase (Decrease) in:		
Accounts Payable	6,025	6,685
Grants Payable	208,100	101,900
Payroll Taxes Payable	<u>(17,946)</u>	<u>53,752</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>390,752</u>	<u>189,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Short Term Investments	(778,761)	(1,272,301)
Maturity of Short Term Investments	<u>770,585</u>	<u>1,265,534</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(8,176)</u>	<u>(6,767)</u>
NET INCREASE IN CASH	382,576	182,699
CASH AT BEGINNING OF YEAR	<u>916,737</u>	<u>734,038</u>
CASH AT END OF YEAR	<u>\$1,299,313</u>	<u>\$ 916,737</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.

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, 2018, 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, 2015 – September 30, 2017 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.

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, 2017, 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, 2018, the Organization was due \$5,579 from the Benevity Community Impact Fund in donation and matching gifts from companies.

4. INVESTMENTS

The Organization's investments at September 30, 2018 and 2017 respectively consist of the following:

	<u>2018</u>	<u>2017</u>
Level 1 Investments		
Certificates of Deposit	<u>\$ 774,566</u>	<u>\$ 766,390</u>

5. LOAN RECEIVABLE

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 with interest was paid in full on November 19, 2018.

6. 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 on February 14, 2017. The second payment of \$100,000 was paid on August 25, 2018 and the final payment of \$100,000 was paid on July 2, 2019.

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). The first payment of \$125,000 was paid on August 11, 2017. On the first anniversary of the Effective Date during the Term and every 180 days thereafter, the Organization shall pay \$62,500. The total amount to be contributed by Cure JM Foundation to support registry implementation is \$625,000. Subsequent payments made are \$62,500 on August 11, 2018 and \$62,500 on May 2, 2019.

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CURE JM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. RESEARCH GRANTS (Cont'd)

On January 18, 2018, the Organization awarded a grant of \$130,000 to George Washington University for a pilot study seeking to explore relationships between various components of fatigue primarily mediated by the cardiorespiratory system in an effort to better understand the multifactorial nature of fatigue in Juvenile Dermatomyositis. The first payment of \$32,500 was paid on May 22, 2018. The second payment of \$32,500 was paid on June 1, 2018. The third payment of \$32,500 was paid on December 14, 2018 and the final payment of \$32,500 was paid on June 20, 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 determine if ultrasound can detect muscle disease in children with active inflammation and if changes on ultrasound are associated with treatment response. Payment was made in full on April 10, 2018.

On January 18, 2018, the Organization awarded a grant of \$65,000 to the University of Bath (UK) for validation of commercial myositis autoantibody panels leading to increased accessibility of testing, standardization of testing and improved diagnostic criteria using less invasive methods. Payment was made in full on August 7, 2019.

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 was paid on December 14, 2018. The third payment of \$30,000 was paid on June 20, 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 19, 2018. The second payment of \$50,000 was paid on September 28, 2018 and the final payment of \$100,000 was paid on December 14, 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 was paid on September 28, 2018 and the final payment of \$50,000 was paid December 14, 2018. On November 20, 2017, Ann and Robert H. Lurie Children's Hospital refunded \$3,895 of unused funds from a previously received grant awarded to support the Cure JM Program of Excellence.

On August 14, 2018, the Organization paid \$1,031 for transcription services and recording devices related to a mental health focus group held at the National Family Conference in Washington D.C.

7. 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, 2018, the Organization had uninsured bank balances of \$873,152.

8. 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, not fair value of the rental space has been made.

CURE JM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2018 are available for the following purposes:

Specific Research – scope to be determined	\$ 11,528
Advance Translational Science Research (NCATS)	<u>232,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 243,528</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 27, 2019, the date which the financial statements were available for issue.

On October 2, 2018, the Organization awarded a grant of \$600,000 to the Seattle Children's Hospital Foundation to support the Cure JM Center of Excellence at Seattle Children's Hospital. The first payment of \$60,000 was paid on June 27, 2019. The second payment of \$40,000 will be paid in October 2019. Payments for subsequent years of the grant will be made quarterly, with the first payment in 2020 being on or about May 1, 2020.

On November 5, 2018, the Organization awarded a grant of \$51,017 to Duke University for research titled "Precision Decision in the Treatment of Juvenile Dermatomyositis". The first payment of \$46,000 was paid on May 15, 2019 and the final payment of \$5,017 will be paid in November 2019.

On November 5, 2018, the Organization awarded a grant of \$100,000 to the Hospital for Sick Children in Toronto, Canada to conduct research on the effect of exercise, creatine, and coenzyme Q10 supplementation on muscle function in children with myositis. The first two payments totaling \$36,969 were paid on May 15, 2019. The third payment of \$10,000 will be paid in November 2019. The fourth payment of \$33,031 will be paid in June 2020. The fifth payment of \$10,000 will be paid in September 2020 and the final payment of \$10,000 will be paid in November 2020.

On November 15, 2018, the Organization awarded a grant of 10,000 Euros to Autoinflammation Network E.V. in Germany to sponsor the Global Conference on Myositis at the Bronze Level. The full payment was made on March 13, 2019 in US dollars of \$11,581.

On November 28, 2018, the Organization awarded a grant of \$100,000 to The Regents of the University of Michigan to be used for research titled "defining molecular signatures of skin disease in Juvenile Dermatomyositis". The first payment of \$30,000 and the second payment of \$20,000 were both paid on May 15, 2019. The third payment of \$30,000 will be paid in January 2020. The fourth payment of \$15,000 will be paid in June 2020 and the final payment of \$5,000 will be paid in January 2021.

On December 13, 2018, the Organization awarded a grant of \$35,000 to the National Institute of Environmental Health Sciences for research being conducted in a specific lab in the Environmental Autoimmunity Research Group in the NIEHS Clinical Research Program in Bethesda, MD. The first payment of \$20,000 was made on May 2, 2019 and the final payment of \$15,000 will be paid at a later date.

On July 9, 2019, the Organization awarded a grant of \$250,000 to Ann and Robert H. Lurie Children's Hospital of Chicago to provide support for the Pachman Research Lab, patient registry and biorepository. The first payment of \$87,500 was paid on July 16, 2019. The second payment of \$54,167 will be paid in September 2019. The third payment of \$54,167 will be paid in December 2019 and the final payment of \$54,166 will be paid in February 2020.

SUPPLEMENTARY INFORMATION

CURE JM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>PROGRAM EXPENSE</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING AND SPECIAL EVENTS</u>	<u>TOTAL</u>
Research Grants	\$ 914,637	-	-	\$ 914,637
Website Development and Maintenance	13,202	-	6,171	19,373
Email Provider and Message Services	2,963	-	-	2,963
Educational Events and Materials	808	185	-	993
Conferences	96,668	19,286	35,606	151,560
Special Events	-	-	70,277	70,277
Fees - Bank, Credit Cards and Processors	-	46	6,283	6,329
Professional Fees	19,458	28,296	60,666	108,420
Postage and Shipping	3,919	2,157	10,669	16,745
Printing and Copying	1,721	-	12,485	14,206
Insurance	-	6,266	-	6,266
Supplies	-	6,126	459	6,585
Filing Fees	-	8,088	-	8,088
Software and Database	-	9,298	-	9,298
Telephone and Fax	-	3,185	-	3,185
Processing Fees	-	680	-	680
Travel and Meeting Expense	17,481	6,193	-	23,674
Salary and Taxes	125,581	44,899	114,046	284,526
JM Book Distribution	270	-	-	270
Materials	-	-	4,704	4,704
Impact Report	5,519	-	-	5,519
Communication	72	-	-	72
National Leadership Council	2,829	-	-	2,829
Chapter Events	-	-	44,209	44,209
Staff Recruitment	-	6,726	-	6,726
TOTALS	<u>\$1,205,128</u>	<u>\$ 141,431</u>	<u>\$ 365,575</u>	<u>\$1,712,134</u>