

**UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012  
AND  
INDEPENDENT AUDITOR'S REPORT**

\*\*\*\*\*

**UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report .....                       | 2           |
| Financial Statements                                     |             |
| Statements of Financial Position .....                   | 4           |
| Statements of Activities and Changes in Net Assets ..... | 5           |
| Statements of Functional Expenses .....                  | 6           |
| Statements of Cash Flows .....                           | 7           |
| Notes to the Financial Statements .....                  | 8           |



STELMACK  
DOBRANSKY  
& EANNACE CPA

3328 Washington Road  
McMurray, PA 15317-3005  
Tel (724) 260-0900  
Fax (724) 260-5210

Certified Public Accountants and Business Consultants

Joseph S. Stelmack, CPA  
Joseph T. Dobransky, CPA  
Vincent M. Eannace, CPA  
Chad Christian, CPA

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of the  
United Mitochondrial Disease Foundation, Inc.

We have audited the accompanying financial statements of the United Mitochondrial Disease Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 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 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.

To the Board of Trustees of the  
United Mitochondrial Disease Foundation, Inc.  
Page 2

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Mitochondrial Disease Foundation, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Stelmack Dobransky & Eannace, LLC". The signature is written in a cursive, somewhat stylized font.

**STELMACK DOBRANSKY & EANNACE, LLC**  
McMurray, Pennsylvania

May 1, 2014

**UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012**

|   | 2013                      | 2012                       |
|---|---------------------------|----------------------------|
| <b><u>ASSETS</u></b>                          |                           |                            |
| Cash and cash equivalents .....               | \$ 586,269                | \$ 667,724                 |
| Accounts receivable .....                     | 93,265                    | 73,801                     |
| Pledges receivable (Note 3) .....             | 125,000                   | 0                          |
| Inventories .....                             | 50,798                    | 29,595                     |
| Investments (Note 4) .....                    | 1,584,356                 | 1,396,035                  |
| Prepaid expenses .....                        | 28,240                    | 24,573                     |
| Fixed assets - net (Note 5) .....             | 108,213                   | 48,648                     |
| <b>TOTAL ASSETS</b> .....                     | <b><u>\$2,576,141</u></b> | <b><u>\$ 2,240,376</u></b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>      |                           |                            |
| <b>LIABILITIES</b>                            |                           |                            |
| Accounts payable .....                        | \$ 310,391                | \$ 283,750                 |
| Accrued liabilities .....                     | 57,277                    | 45,628                     |
| Grants payable (Note 6) .....                 | 1,171,360                 | 989,484                    |
| Deferred revenue .....                        | 0                         | 6,096                      |
| Total liabilities .....                       | <u>1,539,028</u>          | <u>1,324,958</u>           |
| <b>NET ASSETS</b>                             |                           |                            |
| Unrestricted .....                            | 644,700                   | 503,742                    |
| Temporarily restricted (Note 8) .....         | <u>392,413</u>            | <u>411,676</u>             |
| Total net assets .....                        | <u>1,037,113</u>          | <u>915,418</u>             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> ..... | <b><u>\$2,576,141</u></b> | <b><u>\$ 2,240,376</u></b> |

See Independent Auditor's Report and  
Notes to the Financial Statements

UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

|   | 2013         |                        | 2012         |                        | Total        |
|---|--------------|------------------------|--------------|------------------------|--------------|
|   | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted |              |
| <b>PUBLIC SUPPORT AND REVENUE</b>                   |              |                        |              |                        |              |
| Support:  |              |                        |              |                        |              |
| Fundraising .....                                   | \$1,396,670  | \$ 63,384              | \$1,460,054  | \$ 102,611             | \$ 1,528,248 |
| Contributions .....                                 | 826,897      | 3,465                  | 830,362      | 8,000                  | 350,663      |
| In honor of .....                                   | 113,312      | 0                      | 113,312      | 0                      | 113,592      |
| In memory of .....                                  | 70,240       | 0                      | 70,240       | 0                      | 86,230       |
| In kind .....                                       | 63,247       | 0                      | 63,247       | 0                      | 37,733       |
| Grants .....  | 117,135      | 114,588                | 231,723      | 98,226                 | 205,384      |
| Cancellation of grants payable .....                | 23,893       | 0                      | 23,893       | 0                      | 135,000      |
| Total support .....                                 | 2,611,394    | 181,437                | 2,792,831    | 208,837                | 2,456,870    |
| Revenue:  |              |                        |              |                        |              |
| Symposium and seminars .....                        | 274,764      | 2,000                  | 276,764      | 0                      | 263,315      |
| Membership .....                                    | 0            | 0                      | 0            | 0                      | 17,330       |
| Sales .....   | 7,055        | 0                      | 7,055        | 0                      | 15,475       |
| Miscellaneous .....                                 | 1,157        | 0                      | 1,157        | 0                      | 15,475       |
| Total revenue .....                                 | 282,976      | 2,000                  | 284,976      | 0                      | 296,120      |
| Investment income .....                             | 52,745       | 0                      | 52,745       | 0                      | 43,702       |
| Net unrealized gain (loss) on investments .....     | 135,637      | 0                      | 135,637      | 0                      | (33,701)     |
| Net assets released from program restrictions ..... | 202,700      | (202,700)              | 0            | (119,688)              | 0            |
| Total support and revenue .....                     | 3,285,452    | (19,263)               | 3,266,189    | 89,149                 | 2,762,991    |
| <b>FUNCTIONAL EXPENSES</b>                          |              |                        |              |                        |              |
| Program services:                                   |              |                        |              |                        |              |
| Research .....                                      | 987,583      | 0                      | 987,583      | 0                      | 785,012      |
| Public awareness .....                              | 357,829      | 0                      | 357,829      | 0                      | 288,946      |
| Education/member support .....                      | 998,610      | 0                      | 998,610      | 0                      | 870,703      |
| Total program services .....                        | 2,344,022    | 0                      | 2,344,022    | 0                      | 1,944,661    |
| Supporting services:                                |              |                        |              |                        |              |
| Administrative and general .....                    | 134,178      | 0                      | 134,178      | 0                      | 126,403      |
| Fundraising .....                                   | 666,294      | 0                      | 666,294      | 0                      | 692,435      |
| Total supporting services .....                     | 800,472      | 0                      | 800,472      | 0                      | 818,838      |
| Total expenses .....                                | 3,144,494    | 0                      | 3,144,494    | 0                      | 2,763,499    |
| <b>CHANGES IN NET ASSETS</b>                        |              |                        |              |                        |              |
| NET ASSETS - Beginning of year .....                | 140,958      | (19,263)               | 121,695      | 89,149                 | (508)        |
| NET ASSETS - End of year .....                      | 503,742      | 411,676                | 915,418      | 322,527                | 915,926      |
| NET ASSETS - End of year .....                      | \$ 644,700   | \$ 392,413             | \$ 1,037,113 | \$ 411,676             | \$ 915,418   |

See Independent Auditor's Report and  
Notes to the Financial Statements

UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

|                                     | 2013                   |                  |                          |                           |             |              | 2012                   |                  |                          |                           |             |              |
|-------------------------------------|------------------------|------------------|--------------------------|---------------------------|-------------|--------------|------------------------|------------------|--------------------------|---------------------------|-------------|--------------|
|                                     | ---Program Services--- |                  |                          | ---Supporting Services--- |             |              | ---Program Services--- |                  |                          | ---Supporting Services--- |             |              |
|                                     | Research               | Public Awareness | Education Member Support | Admin. & General          | Fundraising | Total        | Research               | Public Awareness | Education Member Support | Admin. & General          | Fundraising | Total        |
| Bank fees .....                     | \$ 65                  | \$ 0             | \$ 1,594                 | \$ 5,348                  | \$ 10,270   | \$ 17,277    | \$ 0                   | \$ 0             | \$ 4,672                 | \$ 4,127                  | \$ 11,146   | \$ 19,945    |
| Chapter support .....               | 0                      | 0                | 36,174                   | 11                        | 420         | 36,605       | 0                      | 191              | 20,021                   | 502                       | 2,884       | 23,598       |
| Depreciation .....                  | 1,489                  | 2,569            | 7,583                    | 1,269                     | 4,027       | 16,937       | 1,489                  | 2,569            | 8,505                    | 1,269                     | 4,027       | 17,859       |
| Fundraising .....                   | 0                      | 0                | 838                      | 0                         | 210,984     | 211,822      | 0                      | 1,865            | 0                        | 0                         | 220,539     | 221,404      |
| Research grants awarded .....       | 827,529                | 0                | 0                        | 0                         | 0           | 827,529      | 675,005                | 0                | 0                        | 0                         | 0           | 675,005      |
| Insurance .....                     | 543                    | 1,018            | 3,050                    | 1,755                     | 1,587       | 7,953        | 675                    | 1,266            | 3,536                    | 487                       | 1,967       | 7,931        |
| Licenses and fees .....             | 305                    | 535              | 1,774                    | 390                       | 4,151       | 7,155        | 356                    | 650              | 1,811                    | 843                       | 5,838       | 9,498        |
| Meetings .....                      | 12,719                 | 8                | 338,633                  | 5,731                     | 41,770      | 398,861      | 6,520                  | 744              | 327,579                  | 14,832                    | 60,625      | 410,300      |
| Merchandise costs .....             | 0                      | 0                | 0                        | 595                       | 8,314       | 8,909        | 0                      | 2,140            | 619                      | 0                         | 14,321      | 17,080       |
| Miscellaneous .....                 | 23,434                 | 0                | 7,348                    | 1,226                     | 1,771       | 33,779       | 0                      | 790              | 2,384                    | 1,698                     | 17,621      | 22,493       |
| Payroll taxes .....                 | 8,693                  | 12,275           | 36,966                   | 7,824                     | 21,962      | 87,720       | 6,407                  | 10,826           | 28,576                   | 5,186                     | 18,430      | 69,425       |
| Physician's education program ..... | 0                      | 0                | 0                        | 0                         | 0           | 0            | 0                      | 0                | 2,019                    | 0                         | 0           | 2,019        |
| Postage and shipping .....          | 178                    | 1,332            | 5,823                    | 661                       | 5,618       | 13,612       | 96                     | 3,280            | 4,816                    | 916                       | 8,963       | 18,071       |
| Printing .....                      | 63                     | 7,727            | 15,056                   | 1,446                     | 2,399       | 26,691       | 0                      | 4,592            | 11,372                   | 2,116                     | 22,622      | 40,702       |
| Professional fees .....             | 987                    | 1,733            | 4,253                    | 4,228                     | 2,751       | 13,952       | 885                    | 1,543            | 4,317                    | 4,927                     | 2,436       | 14,108       |
| Promotion and marketing .....       | 0                      | 141,807          | 2,715                    | 0                         | 0           | 144,522      | 0                      | 91,928           | 6,491                    | 0                         | 0           | 98,419       |
| Rent .....                          | 7,451                  | 14,267           | 31,606                   | 7,704                     | 20,745      | 81,773       | 6,054                  | 12,077           | 31,900                   | 8,062                     | 18,616      | 76,709       |
| Recruiting and relocation .....     | 0                      | 0                | 2,183                    | 0                         | 269         | 2,452        | 0                      | 0                | 1,263                    | 0                         | 8,929       | 10,192       |
| Salaries and benefits .....         | 95,809                 | 164,814          | 457,972                  | 80,410                    | 310,413     | 1,109,418    | 83,948                 | 147,102          | 357,383                  | 71,657                    | 253,031     | 913,121      |
| Repairs and maintenance .....       | 2,118                  | 3,937            | 11,013                   | 7,417                     | 7,049       | 31,534       | 2,006                  | 4,014            | 29,558                   | 3,309                     | 6,126       | 45,013       |
| Staff development .....             | 0                      | 199              | 4,667                    | 0                         | 728         | 5,594        | 0                      | 0                | 1,025                    | 0                         | 29          | 1,054        |
| Supplies .....                      | 3,135                  | 946              | 4,258                    | 5,216                     | 1,782       | 15,337       | 71                     | 116              | 1,584                    | 4,753                     | 1,200       | 7,724        |
| Telephone .....                     | 2,140                  | 4,416            | 14,157                   | 2,621                     | 8,638       | 31,972       | 1,500                  | 3,134            | 13,531                   | 1,719                     | 5,514       | 25,398       |
| Travel .....                        | 925                    | 246              | 10,947                   | 326                       | 646         | 13,090       | 0                      | 1,119            | 7,741                    | 0                         | 7,571       | 16,431       |
| Total functional expenses .....     | \$ 987,583             | \$ 357,829       | \$ 998,610               | \$ 134,178                | \$ 666,294  | \$ 3,144,494 | \$ 785,012             | \$ 288,946       | \$ 870,703               | \$ 126,403                | \$ 692,435  | \$ 2,763,499 |

See Independent Auditor's Report and  
Notes to the Financial Statements

**UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

|  | 2013                     | 2012                     |
|--|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                          |
| Change in net assets .....   | \$ 121,695               | \$ (508)                 |
| Adjustments to reconcile change in net assets<br>provided by (used in) operating activities: |                          |                          |
| Depreciation .....   | 16,937                   | 17,859                   |
| Unrealized (gain) on investment .....  | (135,637)                | 33,701                   |
| Changes in assets (increase)/decrease:   |                          |                          |
| Accounts and pledges receivable .....  | (144,464)                | (56,901)                 |
| Inventories .....  | (21,203)                 | (3,784)                  |
| Prepaid expenses .....   | (3,667)                  | (8,800)                  |
| Changes in liabilities (decrease)/increase:  |                          |                          |
| Accounts payable .....   | 26,641                   | 75,896                   |
| Accrued expenses .....   | 11,649                   | 8,089                    |
| Grants payable .....   | 181,876                  | 140,015                  |
| Deferred revenue .....   | (6,096)                  | (32,669)                 |
| Net cash provided by (used in) operating activities .....                                    | <u>47,731</u>            | <u>172,898</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                          |
| Purchase of equipment .....  | (76,502)                 | (26,375)                 |
| Purchase of investments .....  | (52,684)                 | (42,964)                 |
| Net cash provided by (used in) investing activities .....                                    | <u>(129,186)</u>         | <u>(69,339)</u>          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .</b>                                | <b>(81,455)</b>          | <b>103,559</b>           |
| <b>CASH AND CASH EQUIVALENTS – Beginning of year .....</b>                                   | <b><u>667,724</u></b>    | <b><u>564,165</u></b>    |
| <b>CASH AND CASH EQUIVALENTS – End of year .....</b>   | <b><u>\$ 586,269</u></b> | <b><u>\$ 667,724</u></b> |
| <b>SUPPLEMENTAL INFORMATION</b>  |                          |                          |
| Interest paid .....  | \$ 0                     | \$ 0                     |
| Income taxes paid on unrelated business income .....   | \$ 0                     | \$ 0                     |

See Independent Auditor's Report and  
Notes to the Financial Statements



**UNITED MITOCHONDRIAL  
DISEASE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Activities

The United Mitochondrial Disease Foundation, Inc. ("the Foundation") was organized on April 28, 1995, and is the result of a merger between a number of specific Mitochondrial disease organizations to form a larger, more cohesive united foundation representing all mitochondrial diseases and all sufferers, adult and children alike. The Foundation's mission is to promote research for cures and treatments of mitochondrial disorders and to provide support to affected families.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Foundation's financial statements are prepared in accordance with FASB ASC 958-210. Under FASB ASC 958-210, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted net assets depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of one year or less to be cash equivalents. For the years ended June 30, 2013 and 2012, the Foundation had no noncash investing or financing activities for cash flow purposes.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are evaluated regularly for collectability. If an account becomes uncollectible, an expense will be recognized. No allowance for doubtful accounts is considered necessary.

Inventories

Inventories consist of merchandise and are stated at the lower of cost (first-in-first-out) or market.

UNITED MITOCHONDRIAL DISEASE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

---

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Investments

The Foundation records investments in accordance with FASB ASC 958-320. Under FASB ASC 958-320, investments are presented at their fair value, which is established using the fair value hierarchy (See Note 3).

Fixed Assets

Fixed assets are recorded at cost and depreciated using the straight-line method over estimated useful lives of 5 to 7 years. Depreciation expense, totaling \$16,937 and \$17,859 for the years ended June 30, 2013 and 2012, respectively, is allocated to the various activities based on usage.

Revenue and Expense Recognition

Income from membership dues and program service fees are deferred and recognized over the periods to which the specific types of income relate. Costs and expenses related to such activities are also deferred as prepaid expenses and recognized in the period when the programs are held.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2013 and 2012, the Foundation had no such income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Forms 990, *Return of Organization Exempt from Income Tax*, of the Foundation are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

Financial instruments which potentially subject the organization to a concentration of credit risk consist principally of cash, temporary cash investments and marketable securities. The cash, temporary cash investments and marketable security accounts of the organization are maintained at high quality financial institutions. At times such accounts may be in excess of FDIC insurance limits, but pose no significant concentration of credit risk.

**UNITED MITOCHONDRIAL DISEASE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Changes in Presentation of Comparative Statements

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through May 1, 2014, the date on which the financial statements were available to be issued.

**2. DESCRIPTION OF MAJOR PROGRAMS**

Research

The Foundation is committed to finding treatments and cures for mitochondrial disease and believes research is the path to success. Since 1996 the Foundation has been providing research grants in order to advance the cause of research into mitochondrial disease.

Public Awareness

The Foundation is raising awareness among clinicians, pediatricians, general practitioners, and other allied health professionals through exhibition at annual medical meetings and its "Grand Rounds" lecture series at hospitals around the country. The Foundation has also produced "Mito 101" an interactive CD to educate primary care physicals and pediatricians about mitochondrial diseases and "MitoFirst" a handbook for newly diagnosed patients and their physicians.

Education/Member Support

The Foundation creates caring, supportive communities across the nation for adults, children and families suffering from mitochondrial disease through their local chapters and affiliated groups and ambassadors. This allows foundation members to network with other families and individuals to talk about mitochondrial disorders. The Foundation also keeps members updated with the latest treatment advances and information through a quarterly newsletter.

**3. PLEDGES RECEIVABLE (PROMISES TO GIVE)**

Pledges of contributions (or promises to give) has been classified as unconditional or conditional. Unconditional promises to give at June 30 are as follows:

|  | <u>2013</u>       | <u>2012</u> |
|--|-------------------|-------------|
| Receivable in less than one year .....     | \$ 125,000        | \$ 0        |
| Receivable in one to five years .....      | 0                 | 0           |
| Total unconditional promises to give ..... | <u>\$ 125,000</u> | <u>\$ 0</u> |

Management has deemed these promises to give to be fully collectible, and thus, no allowance for uncollectible pledges receivable has been recorded.

(Continued)

**UNITED MITOCHONDRIAL DISEASE FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**4. INVESTMENTS**

Investments at June 30, 2013 are summarized as follows:

|                                | Cost<br>Basis       | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Market<br>Value |
|--------------------------------|---------------------|------------------------------|-------------------------------|-------------------------|
| Mutual funds .....             | \$ 1,292,896        | \$290,919                    | \$ 0                          | \$ 1,583,815            |
| Common stock .....             | 519                 | 22                           | 0                             | 541                     |
| <b>Total investments .....</b> | <b>\$ 1,293,415</b> | <b>\$290,941</b>             | <b>\$ 0</b>                   | <b>\$ 1,584,356</b>     |

Investments at June 30, 2012 are summarized as follows:

|                    | Cost<br>Basis | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Market<br>Value |
|--------------------|---------------|------------------------------|-------------------------------|-------------------------|
| Mutual funds ..... | \$ 1,257,616  | \$138,419                    | \$ 0                          | \$ 1,396,035            |

Fair Value Measurements

Generally accepted accounting principles (GAAP) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The fair values of the mutual funds are Level 1 inputs. No Level 2 or Level 3 inputs were available to the Company.

**5. FIXED ASSETS**

Fixed assets are summarized as follows at June 30:

|                                     | 2013              | 2012             |
|-------------------------------------|-------------------|------------------|
| Furniture and fixtures .....        | \$ 57,675         | \$ 57,675        |
| Computer equipment .....            | 163,117           | 86,615           |
| Leasehold improvements .....        | 5,225             | 5,225            |
| Total fixed assets .....            | 226,017           | 149,515          |
| Less accumulated depreciation ..... | 117,804           | 100,867          |
| <b>Fixed assets – net .....</b>     | <b>\$ 108,213</b> | <b>\$ 48,648</b> |

**UNITED MITOCHONDRIAL DISEASE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2011**

**6. GRANTS PAYABLE**

The Board of Trustees approves future research grants each year. Grants authorized but unpaid at year end are reported as liabilities in accordance with FASB ASC 958-605. A summary of the outstanding grants is as follows:

| Grant<br>Date              | Grant<br>Amount | Grant<br>Payable<br>6/30/13 |
|----------------------------|-----------------|-----------------------------|
| May 2006                   | \$ 1,025,021    | \$ 6,500                    |
| May 2009                   | 412,661         | 21,840                      |
| May 2010                   | 315,346         | 14,000                      |
| May 2011                   | 640,000         | 96,264                      |
| May 2012                   | 675,005         | 333,000                     |
| May 2013                   | 827,529         | <u>699,756</u>              |
| Total grants payable ..... |                 | <u>\$1,171,360</u>          |

In addition, during the year ended June 30, 2013 \$23,893 of the May 2012 grants were cancelled.

**7. RETIREMENT PLANS**

403(b) Tax Deferred Annuity Plan

The Company has a 403(b) Tax Deferred Annuity Plan covering substantially all of its employees. Employees may make voluntary pre-tax contributions to the plan subject to maximums allowed by the Internal Revenue Code. The Company does not match any of the contributions.

SEP-IRA Plan

The Company also has established a SEP-IRA retirement plan for substantially all employees. Contributions are determined by management and are totally discretionary. Contributions amounted to approximately \$44,100 and \$31,700 for the years ended June 30, 2013 and 2012, respectively.

**8. NET ASSETS**

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

|                | <u>2013</u>      | <u>2012</u>      |
|----------------|------------------|------------------|
| Research ..... | <u>\$392,413</u> | <u>\$411,676</u> |

**UNITED MITOCHONDRIAL DISEASE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

**9. OPERATING LEASE**

The Foundation leases office space under an operating lease agreement that expires October 2017. The Foundation leases a copier under an operating lease agreement that expires September 2016. The Foundation also leases a postage machines under an operating lease agreement that expires June 2014. The future minimum rental payments required under these lease agreements at June 30, 2013 are:

| <u>Year Ended<br/>June 30,</u> | <u>Amount</u>    |
|--------------------------------|------------------|
| 2014 .....                     | \$ 67,272        |
| 2015 .....                     | 65,112           |
| 2016 .....                     | 65,232           |
| 2017 .....                     | 63,278           |
| 2018 .....                     | <u>20,880</u>    |
| Total .....                    | <u>\$281,774</u> |

Rental expense amounted to \$68,334 and \$65,705 for the years ended June 30, 2013 and 2012, respectively.

**10. CONTRIBUTED SERVICES**

FASB ASC 958-605 requires contributed services to be recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by volunteers. The Foundation receives such services from community members who volunteer to provide video production, website development and accounting services. The value of these services was calculated as \$63,247 and \$37,733 for the years ended June 30, 2013 and 2012, respectively, and is included in the accompanying Statements of Activities as revenue and expense.

**11. CHAPTERS**

In addition to the national office of the United Mitochondrial Disease Foundation, Inc., local chapters have also been formed throughout the United States. These chapters include:

- Ohio Chapter
- Delaware Valley Chapter
- Southern California Chapter
- Kansas City Chapter
- New England Chapter
- Arizona Chapter
- New York Metro Chapter
- Indiana Chapter
- Atlanta Chapter
- Chicago Chapter
- Houston Chapter
- Central Ohio Chapter
- Carolina Foothills Chapter
- Minneapolis-St. Paul Chapter
- Middle Tennessee Chapter
- D/C/Baltimore/Northern Virginia Chapter

UNITED MITOCHONDRIAL DISEASE FOUNDATION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

11. CHAPTERS, Continued

Each chapter is required to file an application for their own employer identification number, abide by their signed chapter affiliation agreement and by-laws and to provide the national office their monthly chapter finance report. The Foundation has received a group exemption under 501(c)(3) of the Internal Revenue Code, and accordingly, will file a group tax return for the chapters. The primary purpose of the chapters is to provide a support network and conduct charitable fundraising activities for the Foundation. The chapters meet the requirements for consolidation and accordingly, their balances are included in the accompanying financial statements.

The Statements of Financial Condition include the cash balances of each chapter as of June 30 as follows:

|   | 2013     | 2012     |
|---|----------|----------|
| Ohio Chapter .....                            | \$ 8,772 | \$12,567 |
| Delaware Valley Chapter .....                 | 0        | 209      |
| Kansas City Chapter .....                     | 2,107    | 463      |
| Indiana Chapter .....                         | 614      | 456      |
| Atlanta Chapter .....                         | 7,218    | 4,042    |
| Chicago Chapter .....                         | 1,858    | 2,862    |
| Houston Chapter .....                         | 10,134   | 12,528   |
| Carolina Foothills Chapter .....              | 5,362    | 5,362    |
| Minneapolis-St. Paul Chapter .....            | 7,013    | 7,957    |
| Middle Tennessee Chapter .....                | 486      | 594      |
| D/C/Baltimore/Northern Virginia Chapter ..... | 5,617    | 5,866    |

The Statements of Activities and Changes in Net Assets for the years ended June 30, 2013 and 2012 includes the activity for each chapter as follows:

|   | -----2013-----      |                   | -----2012-----      |                   |
|---|---------------------|-------------------|---------------------|-------------------|
|   | Revenue             | Expenses          | Revenue             | Expenses          |
| Ohio Chapter .....                            | \$ 128,398          | \$ 19,862         | \$ 119,467          | \$ 17,154         |
| New England Chapter .....                     | 0                   | 1,312             | 0                   | 4,216             |
| Southern California Chapter .....             | 130,199             | 26,117            | 97,648              | 21,542            |
| Delaware Valley Chapter .....                 | 13,128              | 2,363             | 5,515               | 7,160             |
| Arizona Chapter .....                         | 8,515               | 1,939             | 6,079               | 3,228             |
| New York Metro Chapter .....                  | 0                   | 512               | 191                 | 0                 |
| Kansas City Chapter .....                     | 46,579              | 5,159             | 54,164              | 8,578             |
| Indiana Chapter .....                         | 76,608              | 20,341            | 84,785              | 16,191            |
| Atlanta Chapter .....                         | 148,886             | 33,359            | 132,764             | 27,003            |
| Chicago Chapter .....                         | 108,235             | 7,725             | 89,650              | 10,694            |
| Houston Chapter .....                         | 21,315              | 12,191            | 100,365             | 41,774            |
| Central Ohio Chapter .....                    | 0                   | 0                 | 0                   | 650               |
| Carolina Foothills Chapter .....              | 187,788             | 35,518            | 215,791             | 51,711            |
| Minneapolis-St. Paul Chapter .....            | 200,472             | 6,369             | 58,175              | 4,118             |
| Middle Tennessee Chapter .....                | 73,691              | 13,072            | 49,332              | 11,577            |
| D/C/Baltimore/Northern Virginia Chapter ..... | 89,912              | 26,092            | 119,937             | 47,950            |
| Total .....                                   | <u>\$ 1,233,726</u> | <u>\$ 211,931</u> | <u>\$ 1,133,863</u> | <u>\$ 273,546</u> |

(Concluded)