

Hope. Energy. Life.

2005

Annual Report



The United Mitochondrial Disease Foundation



A Message from the Chairman *Charles A. Mohan, Jr.*

HOPE. ENERGY. LIFE.

HOPE...A Cure

A cure: something we all want, something many need, and something many have been working toward.

I recently heard a doctor say, "Mitochondrial disease is the most complex disease known to mankind." A complicated disease requires a complicated solution or several solutions. There is no one cure for the many types of mitochondrial diseases. Will we find the cures? Absolutely! We know it is just a matter of time, money, and persistence.

ENERGY...Time

Time, the great equalizer! We all get 24 hours each day. That is the only fair thing. That is the only thing that is equal in all of our lives. What we do with those 24 hours is up to us.

Tomorrow, before I go to work, I'll be collecting the quarters from my six bubblegum machines that I placed for UMDF. What will you be doing before you get to work?

ENERGY...Money

Early in 1997, the fledgling UMDF recognized that there was a lack of research into mitochondrial disease and that we were in a unique position to directly fund studies into this vast field. By the end of 1997, we funded our first grant for a total of \$30,000; we were extremely proud of our accomplishment until we realized that only six (6) researchers applied for the money!

From 1998 to 2001, we only averaged eight grant applicants per year, despite increasing the amount to \$60,000. In 2002, the UMDF board was challenged to approve a 5.25 million fundraising project. UMDF advertised and awarded \$250,000 and received 27 grant applications. The award amount rose to \$500,000 in 2003 and we received 54 grant applications. The \$714,672 awarded in 2004 attracted 81 grant applications. This past year, the UMDF awarded \$1,018,489 for nine compelling research projects – we had 130 applicants!

If we were able to fund all the research applications submitted we would need \$20 million dollars!

We have to ask ourselves, what would happen if we were able to fund all \$20 million, and if we had \$20 million to award, how many applications and researchers would we attract?

And the most haunting question of all...what would happen?

LIFE...Persistence

Mitochondrial disease has existed for many centuries. Unfortunately, only recently has this complex group of diseases begun receiving the attention it deserves. The under-recognition of mitochondrial disease has led to the misdiagnosis of patients and under-funding of research. Fortunately, due to improved funding and better understanding of the science, things are beginning to change.

By increasing the amount of funding, the UMDF has experienced a jump in the number of applicants and the quality of the research projects. This supports one of our goals with the grant program: draw new researchers into the field of mitochondrial medicine. It will also allow new researchers to generate enough data for big-dollar NIH grants. And... **It Will** get us closer to that elusive cure.

We make a living by what we get, but we make a life by what we give.

-Winston Churchill

Yours toward a cure,

Charles A. Mohan, Jr.
Chairman, UMDF

About the United Mitochondrial Disease Foundation

The United Mitochondrial Disease Foundation (UMDF) was formed in 1995 to help educate the public and the medical community about these complex and often fatal diseases in order to help patients obtain an earlier diagnosis and better treatment. Our Mission is to promote research and education for the diagnosis, treatment, and cure of mitochondrial disorders and to provide support to affected individuals and families.



From the CEO/Executive Director

J. Thomas Viall

The United Mitochondrial Disease Foundation (UMDF) fiscal year runs from July 1 to June 30. Figures contained in this report are taken from our annual independent audit as performed by the Pittsburgh firm of Stelmack, Dobransky, and Eannace, LLC. In short, I am pleased to inform all our members, friends, and supporters that our auditors gave us a positive report, finding no material deficiencies in our accounting procedures or the reporting of our financial position.

That's the short story - and when we analyze some of the numbers - another, very compelling story emerges:

- Contributions to UMDF were up by 27% from the previous fiscal year
- Total support and revenue increased by more than 41%
- UMDF gave research grants in excess of \$1,000,000 in the fiscal year
- Total program services rose by 44%
- Administration and fundraising expenses continued to be less than 20% of total expenses

The United Mitochondrial Disease Foundation is well managed and the Board of Trustees exercises its fiduciary responsibilities in earnest. You – our members, friends, and donors – have the right to know how your charitable contributions are being used. And, as the new CEO/Executive Director of UMDF, I am proud of what this report tells you.

In the coming year, we will be expanding staff to transition from what has been essentially a P/T operation to a long-term, mature, and sustainable non-profit organization. It is our intention to maintain the commitment to effective and prudent fiscal management while building a foundation for the future so we can better fulfill our mission. We will develop sound business plans to implement board strategic visioning; there are so many who are counting on us to provide *Hope. Energy. Life.* . . . we can do no less.

With all best wishes,

A handwritten signature in dark ink that reads "J. Thomas Viall". The signature is written in a cursive style and is positioned above the printed name.

J. Thomas Viall

The United Mitochondrial Disease Foundation and **HOPE.**



HOPE ... Programs for People

Information and Referral

As a vital part of the Foundation's mission, Member Services continues to provide affected individuals and families with information, resources, and guidance that will help them better care for their loved ones. In FY 2005, the department responded to over 900 calls (including both potential and existing members) requesting information, produced a *Resource Guide* for members listing local and national resources to meet multiple needs, and increased the staffing of the department to include a full-time director and member services staff member.

The *Mitochondrial News* is mailed quarterly to more than 5,000 households, businesses and organizations and provides up-to-date medical information, chapter and mito group activities, announcements about upcoming symposia, research grant updates, and other topics of interest to patients, families and healthcare professionals.

Annual Symposia

In cooperation with the Mitochondrial Medicine Society (MMS) and Mitochondria Research Society (MRS), the UMDF hosts an annual symposium attracting physicians, researchers and fam-

ilies from all over the world. This unique meeting format includes a four day scientific component and two days dedicated to patients and families.

Bench scientists are given the opportunity to put a face to mitochondrial disease. Families have the good fortune to meet some of the top specialists working in the field of mitochondrial medicine as well as meeting other families facing similar experiences.



The Scientific Planning Committee, with representatives from the MRS, MMS and UMDF Scientific Advisory Board, designs the scientific component, which provides AMA-PRA credit for attendees. Family meetings are designed by the Member Services Department using feedback from past attendees and current needs of the membership based on inquiries.

The UMDF rotates the annual symposium across the United States making it convenient for families to make future plans. The five year plan is as follows:

- 2006 - Atlanta, Georgia
- 2007 - San Diego, California
- 2008 - Indianapolis, Indiana
- 2009 - Eastern USA
- 2010 - Southern USA

WWW.UMDF.ORG

The Foundation web site experienced a "face lift" in 2005 and continues to provide critically important information on mitochondrial diseases and other issues that affect sufferers and their families. The web site is the most comprehensive resource on mitochondrial disease for families and professionals - providing medical information, resources, helpful links, and a special *Ask the Mito Doc* service to patients and families seeking answers.



The Foundation recognizes the volunteers who tirelessly give of themselves and represent the HOPE and ENERGY that can be generated through self-empowerment! The LEAP (Living, Encouraging, Achieving & Persisting) Award is annually given to recognize an individual living positively with mitochondrial disease, highlighting the person's accomplishments and volunteer service. The Heartstrings Award is given annually to recognize a child or teen who has donated or raised funds for UMDF.

Chapters and Mito Groups = ENERGY.



*Energy and persistence
conquer all things.*

- Benjamin Franklin

UMDF Chapters and Mito Groups are prime examples of Energy and Persistence. They continue to experience growth and connect with their communities through events and awareness campaigns. In FY 2005, the foundation added two new Mito Groups, one in Western Michigan and one in the Carolina Foothills. The Atlanta Mito Group also successfully converted to Chapter status and continues to reach new families in the Atlanta area.



ARIZONA

☆Arizona Chapter

Phoenix, AZ
Members: 100+

CALIFORNIA

☆Southern California Chapter

Los Angeles, CA
Members: 350+

FLORIDA

Florida Rays of Hope Group
Melbourne, FL
Members: 50+

GEORGIA

☆Atlanta Area Chapter

Atlanta, GA
Members: 125+

INDIANA

☆Indiana Chapter

Indianapolis, IN
Members: 80+

ILLINOIS

Chicago Area Group
Chicago, IL
Members: 105+

MARYLAND

Tri State Area (DC) Group
Members: 30+

MASSACHUSETTS

☆New England Chapter

Boston, MA
Members: 150+

MICHIGAN

Detroit, MI
Members: 100+

Western Michigan
Grand Rapids, MI
Members: 50+

MISSOURI/KANSAS

☆Kansas City Chapter

Kansas City, MO
Members: 45+

St. Louis Area Group
Members: 40+

NEW YORK

☆New York Metro Chapter

Long Island, NY
Members: 325+

OHIO

☆Ohio Chapter

Cleveland, OH
Members: 300+

Columbus Group
Members: 50+

Cincinnati Group
Members: 45+

OREGON

Pacific Northwest Support Group
Members: 80+

PENNSYLVANIA

☆Delaware Valley Chapter

Philadelphia, PA
Members: 250+

Western PA Support Group
Members: 150+

SOUTH CAROLINA

Columbia, SC
Members: 50+

Carolina Foothills
Members: 50+

TEXAS

Dallas Area Group
Dallas, TX
Members: 75+

VIRGINIA

Virginia Group
Williamsburg, VA
Members: 50+

OUTSIDE OF THE UNITED STATES

AUSTRALIA

Queensland, Australia
Members: 30+

CANADA/ONTARIO

Members: 20+

Research is the Path to Better Treatments and a CURE – Dollars Pave the Way!

During FY 2005, more than 100 fundraising events occurred across the United States raising \$1,008,689 to benefit the United Mitochondrial Disease Foundation. Events ranged from lemonade stands and golf outings to run/walks, and all of these events raised awareness in their respective communities. Many of the chapter events attracted local media which helped us “Tell our Story.” The volunteer efforts of the patients and families, who face the daily challenges of living with mitochondrial disease, is truly amazing – pulling their talents together to give the Energy for LIFE!

Pulling Together to Give the Energy for **LIFE.**



Events – bringing laughter and joy into the lives of the families who face the sadness or the frustrations that accompany mitochondrial disease.



Events – bringing together the community for common good.



Events – mito kids come together to share a special bond.

Energy for LIFE ... Fundraising Events in the Community

Media Awareness

Many of the chapters have successfully attracted media to their annual walk/runs. New England volunteers coordinated a media blitz in 2005 that landed numerous articles about mitochondrial disease in several markets including a taped interview at a local radio station.

Other events that attracted media attention were the Ohio Chapter's Annual 5K Run/Walk, Race for Riley (Atlanta Chapter), Miles for Mito (Indiana Chapter) and the Indiana Chapter's 1st Annual Golf Outing.

Awareness is PRICELESS!



Events – Through merchandise sales, the Foundation continues to spread the word about mitochondrial disease and raise awareness.



Outstanding Efforts

- *Miles for Mito* brought 11 bicycle riders from Indianapolis to St. Louis and raised more than \$25,000 in 2005. The event only had three riders in 2004.
- The Ohio Chapter continues to pull out all the stops on their 5K run/walk and generated close to \$150,000 in one day.
- Despite challenging weather conditions, more than \$90,000 was raised at the 1st Annual *Race for Riley* in Atlanta, GA.
- The *Indiana Golf Outing* added a new twist to tee sponsorships – “Mito Kid” sponsorships were sold which featured different children at each hole. Each told the child's story and asked for the golfer's support. All the stories were different, which illustrated the many faces of mitochondrial disease.
- Deb Schindler, of Houston, TX, organized the *1st Annual Christopher's Walk* which helped her meet three new families in the area.

Events – involving local businesses, like Fifth Third Bank in Ohio, encourages corporations to join in our fight against mitochondrial disease.

Patrick Francis Chinnery, PhD, of the University of Newcastle Upon Tyne in the UK, and his team plan to determine the prevalence of mutations in mitochondrial DNA in the general population and compare it with mutations in mitochondria from affected individuals in the same region.

Why is this significant? The Foundation takes hundreds of calls from families that ask - how common is mitochondrial disease? Chinnery's study will lay the groundwork for answering such questions.



Mair Churchill, PhD, of the University of Colorado Health Sciences Center, Aurora, CO, and her team will use X-ray crystallography methods to determine the molecular structures of transcription factors that use the information in mitochondrial DNA to make RNA, a necessary step prior to synthesis of mitochondrial proteins.

Learning how these factors work is important because it will improve our understanding of mitochondrial diseases that are caused by abnormal transcription factor activity. There is POWER in knowledge and we hope these methods will increase our understanding of the mitochondria's function.

Michael Frohman, MD, PhD, of Stony Brook University, Stony Brook, NY, and his team discovered a new gene (MitoPLD) that regulates the fusion of mitochondria, a process that helps keep defective mitochondria functional, and they will investigate how the gene carries out its regulation.

Why is this important? Defective fusion of mitochondria may be linked to specific mitochondrial diseases of the nervous system and other body systems. Knowing our enemy will help us in this ongoing battle!!

Elena Rugarli, MD, of Telethon Institute of Genetics and Medicine, Naples, Italy, and her team will study an enzyme (paraplegin) that normally removes defective mitochondrial proteins, using paraplegin-deficient mice as a model for determining the role of abnormal mitochondrial biogenesis in a neurodegenerative disease, hereditary spastic paraplegia.

Gaining an understanding of the normal functions of paraplegin and the specific consequences of its loss is a necessary step towards developing effective treatments for what are presently incurable diseases. Patients and families have few, if any, treatment options at this time.

Linda Spremulli, PhD, of the University of North Carolina, Chapel Hill, and her lab will investigate mutations causing misfolding of a mitochondrial transfer RNA that will be linked to specific defects in the function of mitochondria.

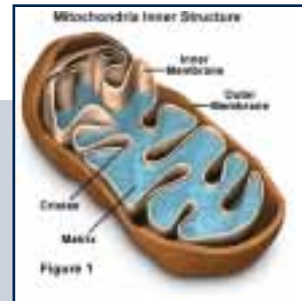
This research will provide fundamental insights into how a malfunctioning transfer RNA inside mitochondria can cause deficits in mitochondrial energy production. Poor energy production yields mitochondrial disease - this insight could lead us to answers to some of the puzzling questions about mitochondrial disease.

About the United Mitochondrial Disease Foundation Research Grant Program

UMDF continues to validate its mission through grants awarded annually to projects dedicated to the research of mitochondrial mechanisms and diseases. UMDf developed a grants award process based upon the funding awards process used by the National Institutes of Health. A tremendous amount of basic science continues to be done, with the hopes that unlocking the secrets of the mitochondria will lead to treatments and a cure for mitochondrial diseases.

Richard H. Haas, MB, BChir, of the University of California, San Diego, and his lab will use blood and saliva samples from patients to develop simple, more reliable methods for detecting mitochondrial DNA mutations that can lead to disease.

This research may lead to the development of standard procedures for rapid screening and diagnosis of mitochondrial disease. Currently, many Mito patients and families go years without a diagnosis. Earlier diagnosis can be instrumental in the patient receiving the appropriate care.

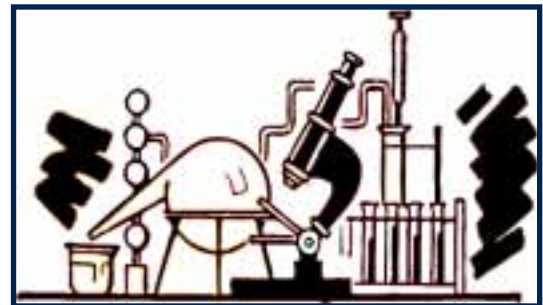


Luca Scorrano, MD, PhD, of the Venetian Institute of Molecular Medicine, Padova, Italy, will study the abnormal mitochondrial shape and function that results from mutated mitofusin 2, a defect associated with Charcot-Marie-Tooth IIa disorder.

The importance of this research lies in the insights that will be gained into the role of mitofusin 2 in maintaining normal mitochondria and how disease results from its mutated form. A mother asks why is her child sick – research, like Scorrano's, may provide answers. Parents and affected adults find some comfort in knowing what is causing their symptoms.

Jan-Willem Taanman, PhD, of the University of College London, London, UK, and her lab will characterize in greater detail the assembly pathway of cytochrome-c oxidase, an important enzyme involved in mitochondrial ATP synthesis.

This research will lead to detailed fundamental information concerning how a crucial mitochondrial enzyme is assembled and provide insight into mitochondrial diseases that result from its malfunction. Many of the mito families battle mitochondrial diseases that involve the cytochrome-c oxidase enzyme – positive results would benefit many!



Tal Mia Lewin, PhD, of the University of North Carolina, Chapel Hill, and her team will investigate the role played by a defective enzyme in Barth Syndrome that regulates the synthesis of cardiolipin. An essential component of the mitochondrial membrane, defective cardiolipin causes serious muscle weakness.

This research will investigate the fundamental pathology of a fatal mitochondrial disease, possibly setting the stage for development of effective treatments. "Effective treatments" – two words that every parent, and affected adult, HOPES to hear in the coming years.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the United Mitochondrial Disease Foundation, Inc. ("the Foundation") as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2005 and 2004, 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.

STELMACK DOBRANSKY & EANNACE, LLC
Pittsburgh, Pennsylvania

September 22, 2005

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 1,425,161	\$ 1,345,192
Contributions receivable (Note 2)	19,596	50,000
Interest receivable	0	4,951
Inventories	9,979	0
Investments (Note 3)	776,867	734,068
Prepaid expenses	16,794	45,530
Fixed assets - net (Note 4)	165,707	42,199
TOTAL ASSETS	\$ 2,414,104	\$ 2,221,940
LIABILITIES		
Accounts payable	\$ 137,939	\$ 36,132
Accrued expenses	25,186	20
Grants payable (Note 5)	1,341,892	986,087
Deferred revenue	86,279	83,419
Total liabilities	1,591,296	1,105,658
NET ASSETS		
Unrestricted	787,092	958,488
Temporarily restricted (Note 6)	35,716	157,794
Total net assets	822,808	1,116,282
TOTAL LIABILITIES AND NET ASSETS ..	\$ 2,414,104	\$ 2,221,940



*Obstacles are those
frightful things you see
when you take your eyes
off your goal.*

- Henry Ford

The Foundation remains
focused on the **Mission** –
for all children and adults
battling mitochondrial
disease.

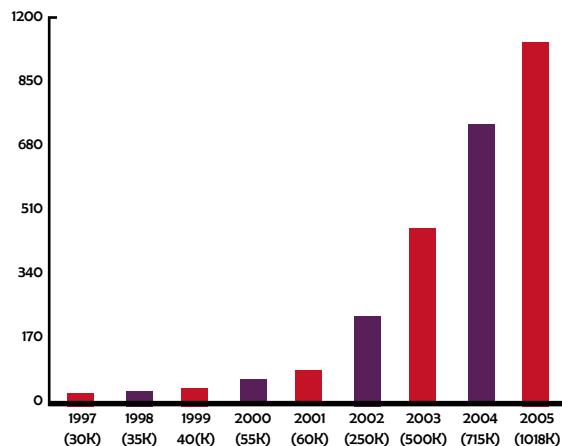
**See Independent Auditor's
Report and
Notes to the Financial
Statements**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005			2004
	Temporarily Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support:				
Fundraising	\$ 1,008,689	\$ 0	\$ 1,008,689	\$ 869,924
Contributions	58,757	201,716	260,473	100,667
In honor of	219,986	0	219,986	156,545
In kind	17,826	0	17,826	19,490
In memory of	92,656	0	92,656	127,634
Grants	39,500	0	39,500	16,480
Total support	1,437,414	201,716	1,639,130	1,290,740
Revenue:				
Symposium and seminars	231,270	0	231,270	1,690
Membership	33,369	0	33,369	32,844
Sales	51,013	0	51,013	0
Miscellaneous	203	0	203	2,810
Total revenue	315,855	0	315,855	37,344
Investment income	39,302	0	39,302	26,458
Net unrealized gain (loss) on investments ..	43,311	0	43,311	75,704
Net realized gain (loss) on investments	(16,204)	0	(16,204)	28
Net assets released from program restrictions	323,794	(323,794)	0	0
Total support and revenue	2,143,472	(122,078)	2,021,394	1,430,274
FUNCTIONAL EXPENSES				
Program services				
Research	1,076,057	0	1,076,057	851,765
Public awareness	208,967	0	208,967	188,632
Education/member support	578,272	0	578,272	253,303
Total program services	1,863,296	0	1,863,296	1,293,700
Supporting expenses:				
Administrative and general	124,409	0	124,409	76,153
Fundraising	327,163	0	327,163	222,202
Total supporting services	451,572	0	451,572	298,355
Total expenses	2,314,868	0	2,314,868	1,592,055
CHANGES IN NET ASSETS	(171,396)	(122,078)	(293,474)	(161,781)
NET ASSETS - Beginning of year	958,488	157,794	1,116,282	1,278,063
NET ASSETS - End of year	\$ 787,092	\$35,716	\$ 822,808	\$1,116,282

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

**United Mitochondrial Disease Foundation
Funded Research
Grants**



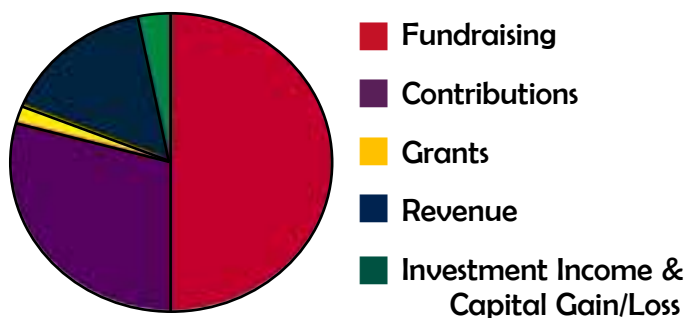
**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(293,474)	\$(161,781)
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Depreciation	15,736	15,332
Realized (gain) loss on sale of investments	16,204	(28)
Unrealized (gain) loss on investment	(43,311)	(75,704)
Changes in assets (increase)/decrease:		
Contribution receivable	30,404	49,020
Interest receivable	4,951	(4,249)
Inventories	(9,979)	0
Prepaid expenses	28,736	(38,085)
Changes in liabilities (decrease)/increase:		
Accounts payable	126,973	(11,617)
Grants payable	355,805	603,488
Deferred revenue	2,860	12,215
Net cash provided by (used in) operating activities	234,905	388,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(139,244)	(796)
Purchase of investments	(278,568)	(16,286)
Proceeds on sale of investments	262,876	0
Net cash provided by (used in) investing activities	(154,936)	(17,082)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	79,969	371,509
CASH AND CASH EQUIVALENTS - Beginning of year	1,345,192	973,683
CASH AND CASH EQUIVALENTS - End of year	\$1,425,161	\$1,345,192
SUPPLEMENTAL INFORMATION		
Interest paid	\$0	\$0
Income taxes paid on unrelated business income	\$0	\$0

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

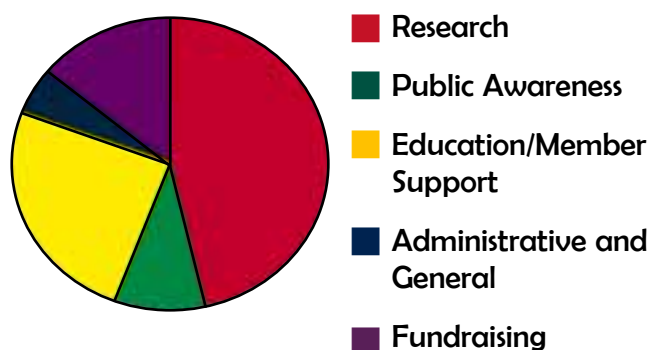
2005 Revenue Sources

Fundraising	\$1,008,689	50%
Contributions	\$590,941	29%
Grants	\$39,500	2%
Revenue	\$315,855	16%
Investment Income & Capital Gain/Loss	\$66,409	3%
Total Revenue Sources:	\$2,021,394	100%



2005 Expenses

Research	\$1,076,057	46%
Public awareness	\$208,967	9%
Education/Member Support	\$578,272	25%
Administrative and General	\$124,409	5%
Fundraising	\$327,163	14%
Total Expenses:	\$2,314,868	100%



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

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 and education for the diagnosis, treatment, and cure of mitochondrial disorders and to provide support to affected individuals and 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.

Comparative Financial Information

The Statements of Activities and Changes in Net Assets include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Financial Statement Presentation

The Foundation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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

The Foundation records contributions and grants in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration/satisfaction of the 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 three months or less to be cash equivalents. For the years ended June 30, 2005 and 2004, 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.

Inventories

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

Investments

The Foundation records investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" which established standards of financial accounting, reporting and disclosures for certain financial securities held by not-for-profit organizations. Under SFAS No. 124, investments are presented in these financial statements at their current market value. These current market values are established using published market prices.

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 \$15,736 and \$15,332 for the years ended June 30, 2005 and 2004, 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, 2005 and 2004, 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).

Concentration of Credit Risk

Financial instruments which potentially subject the organization to a concentration of credit risk, as defined by FASB Statement No. 105, 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.

Changes in Presentation of Comparative Statements

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

2. CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)

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

	2005	2004
Receivable in less than one year	\$19,596	\$50,000
Receivable in one to five years	0	0
Total unconditional promises to give	\$ 19,596	\$50,000

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

There were no conditional promises to give at June 30, 2005 and 2004, respectively.

3. INVESTMENTS

At June 30, investments were as listed below:

	2005		2004	
	Cost	Market	Cost	Market
Common stocks	\$ 0	\$ 0	\$36,407	\$5,091
Mutual funds	697,852	776,867	661,957	728,977
Total investments	\$697,852	\$776,867	\$698,364	\$734,068

4. FIXED ASSETS

Fixed assets are summarized as follows at June 30:

	2005	2004
Furniture and fixtures	\$41,345	\$39,146
Computer equipment	57,676	48,536
Computer software (not yet in service)	127,906	0
Total fixed assets	226,927	87,682
Less accumulated depreciation	61,220	45,483
Fixed assets - net	\$165,707	\$42,199

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

5. GRANTS PAYABLE

Grants authorized but unpaid at year end are reported as liabilities in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." On May 26, 2004, the Board of Trustees approved future research grants of \$722,332 to be paid to qualified recipients from the years 2004 through 2006. As of June 30 2005, \$323,403 was unpaid.

On May 20, 2005, the Board of Trustees approved future research grants totaling \$1,018,489 to be paid to qualified recipients from the years 2006 through 2008. As of June 30, 2005, the entire amount was unpaid.

6. NET ASSETS

Temporarily restricted net assets at June 30, 2005 and 2004 are available for the following purposes:

	2005	2004
2004 Symposium	\$ 0	\$97,020
Research	35,716	50,000
Scholarships	0	1,000
Family Support	0	264
Support Groups	0	9,510
Total	<u>\$ 35,716</u>	<u>\$157,794</u>

7. OPERATING LEASE

The Foundation leases office space under an operating lease agreement that expires October 31, 2007. The Foundation also leases a copier under an operating lease agreement that expires December 31, 2008. The future minimum rental payments required under these lease agreements are:

Year Ended June 30	Amount
2006	52,836
2007	52,836
2008	29,034
2009	5,541
2010	1,356
Thereafter	678
Total	<u>\$142,281</u>

Rental expense amounted to \$55,586 and \$47,276 for the years ended June 30, 2005 and 2004, respectively.

8. CONTRIBUTED SERVICES

SFAS No. 116 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 \$17,826 and \$19,490 for the years ended June 30, 2005 and 2004, respectively, and is included in the accompanying Statements of Activities as revenue and expense.

9. 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

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:

	2005	2004
Ohio Chapter	\$33,977	\$22,429
Delaware Valley Chapter	8,401	37,315
Southern California Chapter	12,795	6,022
Kansas City Chapter	825	37,992
Indiana Chapter	23,526	0
New York Metro Chapter	11,732	0
Atlanta Chapter	394	0

The Statements of Activities and Change in Net Assets for the year ended June 30, 2005 includes the activity for each chapter as follows:

	2005	
	Revenue	Expenses
Ohio Chapter	\$365,458	\$70,214
New England Chapter	60,115	11,159
Southern California Chapter	19,710	2,331
Delaware Valley Chapter	52,909	13,986
Arizona Chapter	3,821	631
New York Metro Chapter	54,559	2,145
Kansas City Chapter	50,479	15,191
Indiana Chapter	67,931	7,190
Atlanta Chapter	177,424	41,182
Total	<u>\$852,406</u>	<u>\$164,029</u>



Mission

The mission of the United Mitochondrial Disease Foundation is to promote research and education for the diagnosis, treatment and cure of mitochondrial disorders and to provide support to affected individuals and families.

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