The Parent Project For Muscular Dystrophy Research, Inc.

Financial Statements
December 31, 2013 and 2012
with Independent Auditors' Report

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Parent Project for Muscular
Dystrophy Research, Inc.

We have audited the accompanying financial statements of The Parent Project for Muscular Dystrophy Research, Inc. (an Ohio not-for-profit corporation), which comprise the statements of financial position as of December 31, 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 consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Parent Project for Muscular Dystrophy Research, Inc. as of December 31, 2013 and 2012, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of The Parent Project for Muscular Dystrophy Research, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Parent Project for Muscular Dystrophy Research, Inc's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
March 25, 2014

The Parent Project For Muscular Dystrophy Research, Inc.
Statements of Financial Position
December 31, 2013 and 2012

Assets

		2013	2012
Current assets:			
Cash	$	2,035,224	1,924,369
Contributions and grants receivable		282,817	398,061
Employee advances		8,993	743
Merchandise Inventory		30,333	34,523
Prepaid grants		119,154	386,348
Deferred charges		370,498	-
Prepaid expenses		87,818	105,615
		2,934,837	2,849,659
Property and equipment:			
Office equipment		58,338	56,938
Office furniture		30,322	30,322
Leasehold improvements		4,480	4,480
		93,140	91,740
Less accumulated depreciation		69,404	60,206
		23,736	31,534
Deposits		3,966	3,966
	$	2,962,539	2,885,159

Liabilities and Net Assets

		2013	2012
Current liabilities:			
Accounts payable and accrued expenses	$	158,671	146,856
Research grants payable		854,428	332,397
		1,013,099	479,253
Net assets:			
Unrestricted		1,517,808	1,168,421
Temporarily restricted		431,632	1,237,485
		1,949,440	2,405,906
	$	2,962,539	2,885,159

See accompanying notes to financial statements

The Parent Project For Muscular Dystrophy Research, Inc.
Statements of Activities
For the Years Ended December 31, 2013 and 2012

		2013	2012
Unrestricted net assets			
Revenue and other support:			
Grants and contributions	$	4,292,384	3,274,324
Program revenue		65,455	52,208
Investment income (loss)		1,441	(8,298)
Interest and dividend income		1,984	2,310
Fundraising proceeds (net of direct expenses of $343,210, and $365,765, respectively)		1,270,119	1,222,740
Net assets released from restrictions		805,853	-
		6,437,236	4,543,284
Expenses:			
Program services		4,859,267	5,135,095
Management and general expenses		504,012	415,712
Fundraising expenses		724,570	672,392
		6,087,849	6,223,199
Change in unrestricted net assets		349,387	(1,679,915)
Temporarily restricted net assets			
Restricted contributions		-	1,237,485
Net assets released from restrictions		(805,853)	-
Increase (decrease) in temporarily restricted net assets		(805,853)	1,237,485
Decrease in net assets		(456,466)	(442,430)
Net assets - beginning of period		2,405,906	2,848,336
Net assets - end of period	$	1,949,440	2,405,906

See accompanying notes to financial statements

The Parent Project For Muscular Dystrophy Research, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2013 with Comparative Totals for 2012

	Program Services				Management			
				Program	and		2013	
	Research	Education	Advocacy	Total	General	Fundraising	Total	2012
Salaries	$ 692,757	247,151	30,487	970,395	100,996	143,032	1,214,423	1,012,833
Payroll taxes	54,195	19,335	2,436	75,966	13,172	11,190	100,328	90,529
Employee benefits	-	-	-	-	32,415	-	32,415	27,916
Accounting fees	1,232	-	-	1,232	93,953	18,240	113,425	115,873
Conferences and meetings	-	321,108	66,642	387,750	-	-	387,750	389,068
Legal fees	2,230	1,375	-	3,605	4,000	-	7,605	4,888
Bank charges	-	-	-	-	11,762	153,948	165,710	153,482
Interest expense	-	-	-	-	477	-	477	2,780
Fees and permits	9,533	6,838	100	16,471	3,866	161,678	182,015	119,716
Insurance	4,632	-	1,668	6,300	76,359	-	82,659	77,425
Outside services	66,788	191,618	20,000	278,406	6,115	33,917	318,438	239,452
Office and computer expenses	11,357	3,180	667	15,204	33,967	12,524	61,695	48,896
Technology	6,929	-	-	6,929	19,259	-	26,188	25,100
Rent	69,740	24,881	3,271	97,892	10,167	14,399	122,458	126,662
Postage and shipping	873	19,360	-	20,233	2,766	5,531	28,530	30,713
Printing and publications	818	8,537	-	9,355	4,105	15,793	29,253	20,018
Consulting fees	80,776	144,058	162,489	387,323	10,000	24,048	421,371	359,937
Chronic sorrow therapeutics	-	4,839	-	4,839	-	-	4,839	-
Telephone	1,151	18,986	780	20,917	2,712	5,425	29,054	36,775
Utilities	-	-	-	-	22,609	-	22,609	21,349
Merchandise	-	-	-	-	-	45,428	45,428	53,346
Travel	203,703	67,858	13,384	284,945	40,269	46,385	371,599	299,139
Meals and entertainment	12,551	9,994	18,980	41,525	9,318	27,896	78,739	82,874
NIH activities	-	-	-	-	-	-	-	4,643
CDC activity	-	-	-	-	-	-	-	75,157
Translation and outreach	600	-	-	600	-	-	600	-
Duchenne family assistance	-	1,395	-	1,395	-	-	1,395	-
Total before grants and depreciation	1,219,865	1,090,513	320,904	2,631,282	498,287	719,434	3,849,003	3,418,571
Grants	2,095,084	127,457	-	2,222,541	-	-	2,222,541	2,779,190
Depreciation	300	5,136	8	5,444	5,136	5,136	15,716	25,345
Loss on disposal of equipment	-	-	-	-	589	-	589	93
Total functional expenses	$ 3,315,249	1,223,106	320,912	4,859,267	504,012	724,570	6,087,849	6,223,199

		Program Services				Management and General	Fundraising	2012 Total
		Research	Education	Advocacy	Program Total			
Salaries	$	666,434	176,114	504	843,052	65,242	104,539	1,012,833
Payroll taxes		59,212	15,029	39	74,280	6,244	10,005	90,529
Employee benefits		-	-	-	-	27,916	-	27,916
Accounting fees		6,002	-	-	6,002	92,371	17,500	115,873
Conferences and meetings		2,164	335,972	50,932	389,068	-	-	389,068
Legal fees		-	-	-	-	4,888	-	4,888
Bank charges		-	-	-	-	17,214	136,268	153,482
Interest expense		-	-	-	-	2,780	-	2,780
Fees and permits		8,526	500	100	9,126	-	110,590	119,716
Insurance		-	1,557	-	1,557	75,868	-	77,425
Outside services		190,975	-	-	190,975	-	48,477	239,452
Office and computer expenses		3,593	12,484	-	16,077	20,840	11,979	48,896
Technology		3,506	-	-	3,506	21,594	-	25,100
Rent		87,119	16,511	1,191	104,821	8,393	13,448	126,662
Postage and shipping		1,935	20,144	-	22,079	2,878	5,756	30,713
Printing and publications		1,069	9,056	-	10,125	1,318	8,575	20,018
Consulting fees		101,850	109,017	108,830	319,697	4,000	36,240	359,937
Telephone		2,135	24,006	346	26,487	3,429	6,859	36,775
Utilities		-	-	-	-	21,349	-	21,349
Merchandise		-	-	-	-	-	53,346	53,346
Travel		197,157	26,518	3,604	227,279	22,085	49,775	299,139
Meals and entertainment		14,050	7,831	482	22,363	9,343	51,168	82,874
NIH activities		4,643	-	-	4,643	-	-	4,643
CDC activity		-	75,157	-	75,157	-	-	75,157
Total before grants and depreciation		1,350,370	829,896	166,028	2,346,294	407,752	664,525	3,418,571
Grants		2,779,190	-	-	2,779,190	-	-	2,779,190
Depreciation		1,506	7,867	238	9,611	7,867	7,867	25,345
Loss on disposal of equipment		-	-	-	-	93	-	93
Total functional expenses	$	4,131,066	837,763	166,266	5,135,095	415,712	672,392	6,223,199

See accompanying notes to financial statements.

The Parent Project For Muscular Dystrophy Research, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	(456,466)	(442,430)
Adjustment to reconcile change in net assets to net cash used by operations			
Depreciation		15,716	25,345
Loss from disposal of fixed assets		589	93
Loss on sale of investments		(1,441)	8,298
Receipt of gifts of marketable securities		(307,858)	(1,372,332)
Changes in current assets and liabilities:			
Receivables		106,994	(212,488)
Prepaid grants		267,194	260,276
Prepaid expenses		17,797	71,282
Deferred charges		(370,498)	-
Deposits		-	(181)
Merchandise Inventory		4,190	16,261
Accounts payable and accrued expenses		11,815	(26,820)
Research grants payable		522,031	163,191
Net cash used by operations		(189,937)	(1,509,505)
Cash flows from investing activities:			
Purchases of equipment		(8,507)	(25,818)
Proceeds from sale of investments		309,299	1,364,034
Net cash provided by investing activities		300,792	1,338,216
Increase (decrease) in cash		110,855	(171,289)
Cash - beginning of year		1,924,369	2,095,658
Cash - end of year	$	2,035,224	1,924,369

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements.

Nature of operations

The Parent Project for Muscular Dystrophy Research, Inc. (the Organization) was organized to raise funds for research programs to find a viable treatment and cure specifically for children afflicted with Duchenne and Becker Muscular Dystrophy. The Organization also educates parents, health care providers, and the general public about Muscular Dystrophy through conferences, pamphlets, and brochures. In addition, a legislative conference is sponsored for the purpose of educational advocacy, and the Organization indirectly influences the NIH implementation of the MD Care Act through outside consultants. The Organization operates throughout the United States, but collaborates with organizations around the world.

Method of accounting

The Organization maintains its books and records using the accrual method of accounting.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which include operating and property and equipment; temporarily restricted net assets and permanently restricted net assets. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization satisfying the purpose or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions, and if the Organization receives a temporarily restricted contribution and meets the stipulations in the same year this activity is reported as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained intact in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Organization or for purposes specified by the donor. There are no permanently restricted net assets at December 31, 2013 and 2012.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributions

The Organization recognizes revenue on contributions and grants when it receives an unconditional promise to give from the donor. Contributions and grants whose restrictions are met in the same reporting period are reported as unrestricted support.

Research grants
The Organization recognizes the liability for research grants as stipulated under the research grant agreements. A liability of $854,428 and $332,397 was recognized according to the outstanding research grant agreement at December 31, 2013 and 2012.

Future commitments for grants totaled $1,845,117 and $1,939,846 at December 31, 2013 and 2012, respectively.

Income taxes
The Organization is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3). The Organization does not currently conduct any activities, which would result in the imposition of the unrelated business income tax and believes it has not earned any unrelated business income and has estimated no tax is due based on current facts and circumstances. Thus, the Organization has determined that an accrual for taxes is not needed for the year ended December 31, 2013.

The Organization's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2010 - 2013. The Organization's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Organization's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Organization believes their estimates are appropriate based on the current facts and circumstances.

Contributed services
The Organization records contributed services as revenue in the period received only if the services received create or enhance nonfinancial assets, or require specialized skills, and would typically need to be purchased if not provided by donation. There were $945 and $978 of contributed legal and consulting services recognized for the years ended December 31, 2013 and 2012, respectively.

Estimates
The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of contributions and expenses during the reporting period. Actual results could differ from those estimates.

Merchandise inventory
Merchandise inventory is stated at lower-of-cost or market. Cost is determined by specific identification method.

Property and equipment
Property and equipment are stated at cost for purchased assets or fair market value for donated assets. Depreciation is provided using both the straight-line and accelerated methods over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred. Significant renewals and betterments are capitalized.

Concentration of credit risk
The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and contributions and grants receivable. The Organization places its cash and temporary cash investments with high-credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

Contributions and grants receivable
The Organization maintains its grants at cost. On a periodic basis, the Organization evaluates these amounts based on current information and believes that all grants will be collectible. Contributions are periodically reviewed for collectability based on information known about donors. Contributions receivable have been adjusted for all known uncollectible accounts as of year end. Therefore, no allowance for doubtful accounts is considered necessary.

Marketable Securities
The Organization records its investments in marketable securities at market value. There were no marketable securities held at December 31, 2013 and 2012. The Organization holds 50,000 shares of Fired Up Inc., which is not a publicly traded security. Therefore, management of the Organization has elected to report this investment at $0 on the accompanying financial statements.

Subsequent events
The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. Management has considered subsequent events for disclosure in the accompanying financial statements through March 25, 2014, which is also the date the financial statements were available for issuance.

2. GRANT AND SUPPORT CONCENTRATIONS:
As shown in the Statement of Activities, a substantial portion of Parent Project's revenues came from government grants. The Center for Disease Control Disability Prevention Grants provided 3% and 11% of Parent Project's revenue in 2013 and 2012, respectively. The Organization also received significant contributions from a private donor during 2012 in the amount of $1,247,485, of which $431,632 is temporarily restricted for program funding as of December 31, 2013 as detailed in Note 6.

3. LEASES:
During the years ended December 31, 2013 and 2012, the Organization leased office space in New Jersey and Ohio, and an apartment in New York. The Organization also rented several pieces of office equipment. Rent expense was $117,054 and $119,129 for the years ended December 31, 2013 and 2012, respectively.

Future minimum payments for all leases are as follows:

2013	$ 121,066
2014	116,112
2015	22,186
	$ 259,364

The Organization had an irrevocable standby letter of credit for the security deposit related to the leased office space in New Jersey in the amount of $18,374 that is set to expire on September 30, 2014.

4. LINE OF CREDIT:

During the year ended December 31, 2011 Organization established a two-year $250,000 line of credit with an interest rate at 4.05% (LIBOR plus 3.84%) which expired on December 1, 2013. The Organization had made no draws against the line of credit as of December 31, 2013 and 2012. On January 9, 2014 the Organization established a $250,000 line of credit with an interest rate at LIBOR plus 3.85% and is set to expire on July 1, 2015.

5. DEFINED CONTRIBUTION PLAN:

The Organization sponsors a SIMPLE Retirement plan for all eligible employees. Contributions to the plan totaled $32,415 and $27,916 as of December 31, 2013 and 2012, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31 consisted of the following:

	2013	2012
Transforming Duchenne Care	$ 431,632	$ 1,237,485

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Parent Project for Muscular
Dystrophy Research, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Parent Project for Muscular Dystrophy Research, Inc. (a not-for-profit organization) , which comprise the statements of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parent Project for Muscular Dystrophy Research, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Parent Project for Muscular Dystrophy Research, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parent Project for Muscular Dystrophy Research, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Dayton, Ohio
March 25, 2014