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FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
AND REPORT ON COMPLIANCE  
JUNE 30, 2014

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## **INDEPENDENT AUDITORS' REPORT**

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Families of SMA d/b/a Cure SMA  
Elk Grove Village, Illinois

We have audited the accompanying financial statements of Families of SMA d/b/a Cure SMA, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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 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 financial statements are free from material misstatement.

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

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



*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families of SMA d/b/a Cure SMA as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2014, on our consideration of Families of SMA d/b/a Cure SMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 Families of SMA d/b/a Cure SMA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kaufman, Rossin & Co." The signature is written in a cursive style with a large, sweeping initial 'K'.

October 27, 2014  
Miami, Florida

**FAMILIES OF SMA d/b/a CURE SMA**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,117,699	\$ 2,618,662
Pledges receivable	279,648	149,349
Other current assets	99,413	55,490
Total current assets	2,496,760	2,823,501
ENDOWMENT FUND (NOTES 2 AND 6)	620,515	436,946
OTHER ASSETS (NOTE 3)	6,344	42,258
PROPERTY AND EQUIPMENT (NOTE 4)	256,775	136,594
	\$ 3,380,394	\$ 3,439,299
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 469,441	\$ 389,641
Grants payable (Note 5)	561,498	899,562
Total current liabilities	1,030,939	1,289,203
GRANTS PAYABLE (NOTE 5)	125,000	105,000
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
<b>NET ASSETS (NOTE 6)</b>		
Unrestricted	1,275,179	1,104,164
Temporarily restricted	358,761	533,986
Permanently restricted	590,515	406,946
Total net assets	2,224,455	2,045,096
	\$ 3,380,394	\$ 3,439,299

See accompanying notes.

**FAMILIES OF SMA d/b/a CURE SMA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND OTHER INCOME</b>				
Contributions and event related revenue (Note 2)	\$ 4,395,786	\$ 255,356	\$ 181,698	\$ 4,832,840
Other income	345,239	-	-	345,239
Interest income (Note 2)	1,459	-	1,871	3,330
Net assets released from restrictions	430,581	( 430,581)	-	-
<b>Total public support and other income</b>	<b>5,173,065</b>	<b>( 175,225)</b>	<b>183,569</b>	<b>5,181,409</b>
<b>EXPENSES</b>				
Program Services:				
Research (Note 5)	1,661,011	-	-	1,661,011
Patient services	554,921	-	-	554,921
Family support	772,793	-	-	772,793
Awareness	235,204	-	-	235,204
<b>Total program services</b>	<b>3,223,929</b>	<b>-</b>	<b>-</b>	<b>3,223,929</b>
Supporting Services:				
General and administrative	249,794	-	-	249,794
Fundraising and event related	1,528,327	-	-	1,528,327
<b>Total supporting services</b>	<b>1,778,121</b>	<b>-</b>	<b>-</b>	<b>1,778,121</b>
<b>Total expenses</b>	<b>5,002,050</b>	<b>-</b>	<b>-</b>	<b>5,002,050</b>
<b>CHANGE IN NET ASSETS</b>	<b>171,015</b>	<b>( 175,225)</b>	<b>183,569</b>	<b>179,359</b>
<b>NET ASSETS - BEGINNING</b>	<b>1,104,164</b>	<b>533,986</b>	<b>406,946</b>	<b>2,045,096</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 1,275,179</b>	<b>\$ 358,761</b>	<b>\$ 590,515</b>	<b>\$ 2,224,455</b>

See accompanying notes.

**FAMILIES OF SMA d/b/a CURE SMA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>PUBLIC SUPPORT AND OTHER INCOME</b>				
Contributions and event related revenue (Note 2)	\$ 4,129,877	\$ 567,721	\$ 184,976	\$ 4,882,574
Other income	335,722	-	-	335,722
Interest income (Note 2)	859	-	1,532	2,391
Net assets released from restrictions	176,233	( 176,233)	-	-
<b>Total public support and other income</b>	<b>4,642,691</b>	<b>391,488</b>	<b>186,508</b>	<b>5,220,687</b>
<b>EXPENSES</b>				
Program Services:				
Research (Note 5)	1,869,970	-	-	1,869,970
Patient services	615,475	-	-	615,475
Family support	579,031	-	-	579,031
Awareness	215,276	-	-	215,276
<b>Total program services</b>	<b>3,279,752</b>	<b>-</b>	<b>-</b>	<b>3,279,752</b>
Supporting Services:				
General and administrative	230,348	-	-	230,348
Fundraising and event related	1,286,155	-	-	1,286,155
<b>Total supporting services</b>	<b>1,516,503</b>	<b>-</b>	<b>-</b>	<b>1,516,503</b>
<b>Total expenses</b>	<b>4,796,255</b>	<b>-</b>	<b>-</b>	<b>4,796,255</b>
<b>CHANGE IN NET ASSETS</b>	<b>( 153,564)</b>	<b>391,488</b>	<b>186,508</b>	<b>424,432</b>
<b>NET ASSETS - BEGINNING</b>	<b>1,257,728</b>	<b>142,498</b>	<b>220,438</b>	<b>1,620,664</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 1,104,164</b>	<b>\$ 533,986</b>	<b>\$ 406,946</b>	<b>\$ 2,045,096</b>

See accompanying notes.

**FAMILIES OF SMA d/b/a CURE SMA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 179,359	\$ 424,432
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	39,847	34,178
Unrealized loss on investment - private company stock	35,914	-
Contributions restricted for investment in endowment fund	( 183,569)	( 186,508)
Changes in operating assets and liabilities:		
Pledges receivable	( 130,299)	73,355
Other current assets	( 43,923)	( 32,720)
Accounts payable and accrued expenses	79,800	( 38,382)
Grants payable	( 318,064)	458,915
Total adjustments	( 520,294)	308,838
Net cash provided by (used in) operating activities	( 340,935)	733,270
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	( 160,028)	( 75,677)
Restricted cash	-	220,438
Investment in endowment fund	( 183,569)	( 436,946)
Net cash used in investing activities	( 343,597)	( 292,185)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for investment in endowment	183,569	186,508
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	( 500,963)	627,593
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>		
	2,618,662	1,991,069
<b>CASH AND CASH EQUIVALENTS - ENDING</b>		
	\$ 2,117,699	\$ 2,618,662
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See accompanying notes.



**FAMILIES OF SMA d/b/a CURE SMA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Organization and Purpose***

Families of SMA d/b/a Cure SMA (the “Organization”) is a not-for-profit organization that is tax-exempt under the provisions of Internal Revenue Code 501(c)(3). The purpose of the Organization is to raise money for advancing research, to provide patient and family support, and to promote public awareness with regard to the diseases Spinal Muscular Atrophy (“SMA”).

***Basis of Presentation***

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* - net assets that are not subject to donor-imposed restrictions.
- *Temporarily restricted* - net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization or that expire by the passage of time.
- *Permanently restricted* - net assets subject to donor-imposed restrictions that require the assets be maintained permanently by the Organization.

***Restricted and Unrestricted Revenue and Support***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

***Cash and Cash Equivalents***

Cash and cash equivalents include highly liquid short-term investments with remaining maturities at date of purchase of three months or less. Cash equivalents include investments in money market funds that are carried at cost plus accrued interest, which approximates fair value.

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***Investments***

The Organization's investments are reported at their fair values in the statements of financial position. Investment return, including realized and unrealized gains and losses, and interest and dividend income are included as a change in net assets in the statements of activities. Market risk is inherent and is dependent on the future changes in market prices of the investments held.

***Fair Value Measurements***

Fair value is defined as the price that the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with an independent counterparty in the principal market or in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is measured under a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish a classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of the Organization's assets and liabilities. The inputs are summarized in the three broad levels listed below.

**Level 1** - quoted prices in active markets for identical assets or liabilities

**Level 2** - other significant observable inputs (including quoted prices for similar assets or liabilities, interest rates, credit risk, etc.)

**Level 3** - significant unobservable inputs (including the Organization's own assumptions in determining the fair value of assets or liabilities)

In applying the provisions of fair value measurements to the Organization's assets during the year, the following valuation technique has been employed:

***Private Company Stock***

The Organization holds shares in a privately held company that specializes in alternative investment management. The underlying assets of the company primarily consist of direct private equity investments. The private company's fair value measurement is determined by its estimated value per share. Actual results may differ and could significantly affect the accuracy of the fair value estimate included in these financial statements. The Organization's ability to redeem the investment is restricted or uncertain in the near term. The Organization's investment in private company stock is included as part of other assets in the accompanying statements of financial position and is categorized in Level 3 of the fair value hierarchy.

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***Pledges Receivable***

Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at fair value, using present value techniques and applicable discount rates. The discounts on the estimated future cash flows of pledges receivable are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund raising activity. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

As of June 30, 2014 and 2013, pledges receivable amounted to approximately \$280,000 and \$149,000, respectively, and pledges receivable from two and five donors accounted for approximately 79% and 97% of pledges receivable, respectively. No allowance was deemed necessary by management in either period.

Conditional pledges to give are not included as support until the conditions are substantially met. As of June 30, 2014, conditional pledges to give to the Organization are estimated to be \$65,000.

***Property and Equipment***

Property and equipment is recorded at cost, if purchased, and donated property is stated at fair market value at the date of contribution. Expenditures for major betterments and additions are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged to expense currently.

Depreciation of property and equipment is determined using the straight-line method, based on estimated useful lives of 3 to 7 years.

***Costs Incurred to Develop or Obtain Computer Software for Internal Use***

The Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project and post-implementation stages and costs incurred to maintain existing product offerings are expensed as incurred. Capitalized development costs are to be amortized over three years upon completion of project. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. As of June 30, 2014, capitalized software costs totaled approximately \$116,000, which are included as a component of property and equipment in the accompanying statement of financial position.

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***Functional Expenses***

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis. Direct costs are allocated specifically to the Organization's program and supporting services. Indirect costs are allocated by management to program and supporting services benefited based on the percentage of employee time spent among other factors. The allocation of costs is based on management's estimate.

***Advertising and Promotion***

Advertising and promotion costs are primarily related to fundraising events and press releases. These costs are expensed as incurred. For the years ended June 30, 2014 and 2013, advertising and promotion expense amounted to approximately \$58,000 and \$81,000, respectively, and is included as a component of program and supporting services in the accompanying statements of activities.

***Concentration of Credit Risk***

The Organization deposits excess cash with high credit quality financial institutions. At times, such balances may be in excess of federally insured limits.

***Contributed Services***

A substantial number of unpaid volunteers have made contributions of their time in connections with activities of the Organization. The value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

***Income Taxes***

The Organization has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a non-profit corporation. Certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income, however a provision for unrelated business income tax was not required.

The Organization assesses its tax positions in accordance with "Accounting for Uncertainty in Income Taxes," as prescribed by Accounting Standards Codification, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination by the Organization's major tax jurisdictions. Generally, the Organization is no longer subject to income tax examinations by major taxing authorities for years ending before June 30, 2011.

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**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***Income Taxes (Continued)***

The Organization assesses its tax positions and determines whether it has any material unrecognized liabilities for uncertain tax positions. The Organization records these liabilities to the extent it deems them more likely than not to be incurred. Interest and penalties related to uncertain tax positions, if any, would be classified as a component of income tax expense.

The Organization believes that it does not have any significant uncertain tax positions requiring recognition or measurement in the accompanying financial statements.

***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the statement of financial position dates and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

***Reclassification***

Certain amounts in the 2013 financial statements have been reclassified to conform with 2014 presentation.

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**NOTE 2. ENDOWMENT**

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The Organization maintains an endowment fund consisting of gifts restricted by donors and the board of directors for permanent investment. The Organization follows the Illinois Uniform Prudent Management of Institutional Funds Act (IUPMIFA) and its own governing documents. IUPMIFA requires the Organization to prudently manage its endowment fund. The majority of the Organization's endowment contributions are subject to a specific agreement with the Organization.

The Organization entered into an agreement with a donor to establish an endowment fund for the purpose of providing scholarships to attend the Organization's annual conference for any families of patients newly diagnosed with Spinal Muscular Atrophy. The agreement requires the following: (a) all earnings of the endowment fund are reinvested into the corpus of the endowment, (b) no withdrawals from the endowment fund are allowed if the fund balance is less than \$1,000,000, (c) up to 2.5% of the fund may be withdrawn, if the fund balance is above \$1,000,000 but less than \$2,000,000, so long as such withdrawal does not reduce the fund balance below \$1,000,000, (d) up to 5% of the fund may be withdrawn, if the fund balance is above \$2,000,000. Additionally, under the terms of the agreement, the board of directors designated \$30,000 of unrestricted net assets for the endowment fund.

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**NOTE 2. ENDOWMENT (Continued)**

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The Organization's investment guidelines and policies are overseen by members of the finance committee reporting to the Organization's board of directors. The overall investment objective of the Organization is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well through the maintenance of a diversified portfolio. Investments shall be diversified with a view to minimizing risk. Investments in the equity securities of any one company shall not exceed 5% of the portfolio nor shall the total securities position (debt and equity) in any one company exceed 10% of the portfolio. No more than 25% of the entire portfolio may be invested in the securities of any one sector. The assets of the Organization have a long investment time horizon.

The primary investment objective of the portfolio is to grow the corpus in excess of inflation and to meet the current and future obligations as dictated by the Organization's spending objectives. This objective is to be achieved through the establishment of an optimal portfolio structure and through the retention of quality investment managers capable of meeting the specific performance goals of the Organization. The investment portfolio is expected to achieve the following over rolling five year periods: (a) provide an annualized rate of return that will support the spending policy net of inflation, (b) outperform the return of a hypothetical portfolio composed of indexes weighted according to the target allocation, (c) outperform the median manager in a universe of foundations and endowments, (d) the volatility of returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the benchmark index.

During the year ended June 30, 2013, the endowment was funded by establishing a money market account with a financial institution. As of June 30, 2014, the endowed funds remain in the money market account. Subsequent to June 30, 2014, the Organization obtained an investment manager and the funds will be transferred to a diversified investment portfolio with an established investment strategy.

Endowment net asset composition by type of fund is as follows as of June 30th:

	2014		
	Unrestricted	Permanently restricted	Total
Board-restricted endowment funds	\$ 30,000	\$ -	\$ 30,000
Donor-restricted endowment funds	-	590,515	590,515
Total funds	\$ 30,000	\$ 590,515	\$ 620,515

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**NOTE 2. ENDOWMENT (Continued)**

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	2013		
	Unrestricted	Permanently restricted	Total
Board-restricted endowment funds	\$ 30,000	\$ -	\$ 30,000
Donor-restricted endowment funds	-	406,946	406,946
Total funds	\$ 30,000	\$ 406,946	\$ 436,946

Changes in endowment net assets are as follows for the years ended June 30th:

	2014		
	Unrestricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	\$ 30,000	\$ 406,946	\$ 436,946
Contributions	-	181,698	181,698
Interest income	-	1,871	1,871
Endowment net assets, end of year	\$ 30,000	\$ 590,515	\$ 620,515

	2013		
	Unrestricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Prior year contributions transferred	30,000	220,438	250,438
Contributions	-	184,976	184,976
Interest income	-	1,532	1,532
Endowment net assets, end of year	\$ 30,000	\$ 406,946	\$ 436,946

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**NOTE 3. FAIR VALUE MEASUREMENT**

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The Organization's investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the Organization's accounting policies as disclosed in Note 1.

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**NOTE 3. FAIR VALUE MEASUREMENT (Continued)**


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The following tables present information about the Organization's assets measured at fair value as of June 30th:

<b>ASSETS at fair value</b>	<b>2014</b>			<b>Total</b>
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Private company stock	\$ -	\$ -	\$ 547	\$ 547

<b>ASSETS at fair value</b>	<b>2013</b>			<b>Total</b>
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Private company stock	\$ -	\$ -	\$ 36,461	\$ 36,461

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Organization has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value were as follows for the years ended June 30th:

<b>ASSETS, at fair value</b>	<b>2014</b>			
	Beginning balance	Purchases / Sales	Net unrealized gains (losses)	Ending balance
Private company stock	\$ 36,461	\$ -	(\$ 35,914)	\$ 547

<b>ASSETS, at fair value</b>	<b>2013</b>			
	Beginning balance	Purchases / Sales	Net unrealized gains (losses)	Ending balance
Private company stock	\$ 36,461	\$ -	\$ -	\$ 36,461



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**NOTE 4. PROPERTY AND EQUIPMENT**

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Property and equipment consisted of the following as of June 30th:

	<b>2014</b>	2013
Medical equipment	\$ 375,263	\$ 338,878
Work in process - software	115,914	-
Office equipment	52,542	50,746
Office furniture	42,676	36,744
	586,395	426,368
Less: accumulated depreciation	( 329,620)	( 289,774)
	\$ 256,775	\$ 136,594

Depreciation expense for the years ended June 30, 2014 and 2013, amounted to approximately \$40,000 and \$34,000, respectively.

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**NOTE 5. GRANTS PAYABLE**

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The Organization makes grants to various medical and research centers for research in relation to Spinal Muscular Atrophy. Grant agreements are subject to periodic reporting and compliance requirements and can be rescinded by the Organization if it is determined that a research project is no longer academically, technically or commercially feasible. The Organization is responsible for all costs incurred or committed at the time of a research projects' termination. Research grant expense for the years ended June 30, 2014 and 2013, amounted to approximately \$1,023,000 and \$1,233,000, respectively, and is included as a component of research in the accompanying statements of activities.

As of June 30, 2014, the Organization's grants payable obligations have terms expiring through January 2016. As of June 30, 2014 and 2013, grants payable obligations amounted to approximately \$686,000 and \$1,005,000, respectively.

Certain grant payments are made to grantees based on research milestones being met. These obligations are not accrued since conditional promises to give are not recognized until the conditions are substantially met. The timing of the research and development milestones being met and certainty of future grant payments is generally not readily determinable.

As of June 30, 2014, future conditional promises due to grantees based on the achievement of milestones are estimated to be \$410,000. In July and August 2014, certain milestones were achieved, and \$275,000 of payments related to conditional promises were disbursed.

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**NOTE 6. NET ASSET RESTRICTIONS**

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At June 30, 2014 and 2013, temporarily restricted net assets amounted to approximately \$359,000 and \$534,000, respectively, and are primarily restricted for research grants.

At June 30, 2014 and 2013, permanently restricted net assets amounted to approximately \$591,000 and \$407,000, respectively, and are restricted for a scholarship fund endowment.

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**NOTE 7. CHAPTERS**

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The Organization has established Chapters consisting of volunteers who promote local and regional fund-raising and outreach efforts for the Organization by hosting events in their respective states and regions. As of June 30, 2014, there are thirty-one active chapters throughout the United States. Fund-raising and patient service support activities are coordinated by the staff of the Organization and revenue and expenses related to all such activities are included in the accompanying statements of activities.

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**NOTE 8. COMMITMENTS AND CONTINGENCIES**

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***Economic Conditions***

The Organization depends substantially on contributions for its revenues. The ability of certain Organization contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Organization's board of directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

***Lease Commitments***

The Organization leases office space for its headquarters located in Elk Grove Village, Illinois, expiring February 2017. The approximate future minimum lease payments under the non-cancelable operating lease are summarized below:

2015	\$	50,000
2016		53,000
2017		35,000
	\$	138,000

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Rent expense, including common area maintenance costs, for the years ended June 30, 2014 and 2013 amounted to approximately \$75,000 and \$62,000, respectively.

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**NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)**

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***Licensing Agreements***

During 2010, the Organization entered into an Exclusive License Agreement with a biopharmaceutical company (the “Sublicensee”) to develop and commercialize certain licensed products potentially useful in the treatment of Spinal Muscular Atrophy, based on patent rights owned by the Organization. Under the terms of the agreement, the Organization is eligible to receive payments based on the achievement of certain milestone events as set forth in the agreement. During the years ended June 30, 2014 and 2013, the Organization did not receive any milestone payments related to this agreement. As of June 30, 2014, the Organization is eligible to receive up to \$11,250,000 in milestone payments from the Sublicensee.

Based on the nature of the development and commercialization process the timing and certainty of future contractual cash receipts cannot be determined at this time.

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**NOTE 9. SUBSEQUENT EVENTS**

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The Organization has evaluated subsequent events through October 27, 2014, which is the date the accompanying financial statements were available to be issued.

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**SUPPLEMENTARY INFORMATION  
AND REPORT ON COMPLIANCE**

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**FAMILIES OF SMA d/b/a CURE SMA**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	Program Services				Supporting Services				Total
	Research	Patient Services	Family Support	Awareness	Total Program Services	General and Administrative	Fund Raising and Event Related	Total Supporting Services	
<b>SALARIES AND RELATED</b>									
Salaries	\$ 188,598	\$ 167,738	\$ 302,015	\$ 89,934	\$ 748,285	\$ 107,248	\$ 357,386	\$ 464,634	\$ 1,212,919
Payroll taxes	13,632	9,856	23,250	6,187	52,925	8,191	27,036	35,227	88,152
Total salaries and related expenses	202,230	177,594	325,265	96,121	801,210	115,439	384,422	499,861	1,301,071
<b>NON-PERSONNEL EXPENSES:</b>									
Research grants	1,022,964	-	-	-	1,022,964	-	-	-	1,022,964
Fundraising events	4,664	1,922	47,176	17,124	70,886	3,099	636,613	639,712	710,598
Fundraising events - in kind	-	-	-	-	-	-	85,675	85,675	85,675
Conferences and meetings	285,836	98,527	170,201	20,687	575,251	343	1,740	2,083	577,334
Professional fees	55,272	113,058	86,614	32,454	287,398	47,159	149,493	196,652	484,050
Advisory services	40,350	21,281	21,281	21,973	104,885	21,935	90,626	112,561	217,446
Merchandise	-	-	-	-	-	-	23,076	23,076	23,076
Postage and delivery	7,284	29,777	26,912	4,625	68,598	6,810	18,582	25,392	93,990
Website	3,443	6,951	6,951	2,605	19,950	6,368	23,513	29,881	49,831
Office	3,633	3,655	3,633	3,633	14,554	3,820	5,355	9,175	23,729
Insurance	5,202	10,889	25,219	6,553	47,863	4,606	19,379	23,985	71,848
Rent	12,503	12,503	12,503	12,503	50,012	12,503	12,503	25,006	75,018
Bank and credit card fees	201	157	157	157	672	4,470	50,975	55,445	56,117
Public relations	9,859	9,610	9,610	9,611	38,690	9,611	9,619	19,230	57,920
Miscellaneous	882	899	807	769	3,357	6,878	2,028	8,906	12,263
Telephone	2,631	2,331	2,331	2,332	9,625	2,676	2,827	5,503	15,128
Utilities	1,744	1,744	1,744	1,744	6,976	1,764	2,545	4,309	11,285
Miscellaneous patient services	-	35,742	30,076	-	65,818	-	7,043	7,043	72,861
Total non-personnel expenses	1,456,468	349,046	445,215	136,770	2,387,499	132,042	1,141,592	1,273,634	3,661,133
Total expenses before depreciation	1,658,698	526,640	770,480	232,891	3,188,709	247,481	1,526,014	1,773,495	4,962,204
Depreciation	2,313	28,281	2,313	2,313	35,220	2,313	2,313	4,626	39,846
Total expenses	\$ 1,661,011	\$ 554,921	\$ 772,793	\$ 235,204	\$ 3,223,929	\$ 249,794	\$ 1,528,327	\$ 1,778,121	\$ 5,002,050

See independent auditors' report.

**FAMILIES OF SMA d/b/a CURE SMA**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	Program Services				Supporting Services				
	Research	Patient Services	Family Support	Awareness	Total Program Services	General and Administrative	Fund Raising and Event Related	Total Supporting Services	Total
<b>SALARIES AND RELATED</b>									
Salaries	\$ 172,802	\$ 124,196	\$ 248,413	\$ 74,182	\$ 619,593	\$ 105,644	\$ 282,049	\$ 387,693	\$ 1,007,286
Payroll taxes	12,148	8,587	15,611	3,788	40,134	6,864	35,984	42,848	82,982
Total salaries and related expenses	184,950	132,783	264,024	77,970	659,727	112,508	318,033	430,541	1,090,268
<b>NON-PERSONNEL EXPENSES:</b>									
Research grants	1,232,668	-	-	-	1,232,668	-	-	-	1,232,668
Fundraising events	12,601	11,178	20,531	27,667	71,977	13,320	664,347	677,667	749,644
Fundraising events - in kind	-	-	-	-	-	-	80,917	80,917	80,917
Conferences and meetings	260,133	155,164	109,987	21,280	546,564	79	4,801	4,880	551,444
Conferences and meetings - in kind	20,290	8,116	8,116	4,058	40,580	-	-	-	40,580
Professional fees	36,183	165,564	57,928	29,532	289,207	35,840	28,758	64,598	353,805
Advisory services	81,021	19,560	19,560	16,693	136,834	16,729	19,943	36,672	173,506
Merchandise	-	-	-	-	-	-	29,667	29,667	29,667
Postage and delivery	7,964	32,427	31,257	3,238	74,886	5,634	21,654	27,288	102,174
Website	466	811	811	258	2,346	25	4,995	5,020	7,366
Office	4,260	4,775	4,393	4,259	17,687	6,309	6,496	12,805	30,492
Insurance	4,723	11,755	18,699	4,680	39,857	5,325	17,727	23,052	62,909
Rent	10,367	10,367	10,367	10,367	41,468	10,367	10,367	20,734	62,202
Bank and credit card fees	-	-	-	-	-	3,814	55,559	59,373	59,373
Public relations	7,145	6,627	6,682	7,997	28,451	7,036	6,633	13,669	42,120
Miscellaneous	804	772	959	683	3,218	6,817	1,623	8,440	11,658
Telephone	2,500	2,458	2,458	2,458	9,874	2,550	2,575	5,125	14,999
Utilities	1,921	1,921	1,921	1,992	7,755	1,851	1,921	3,772	11,527
Miscellaneous patient services	-	27,740	19,194	-	46,934	-	7,824	7,824	54,758
Total non-personnel expenses	1,683,046	459,235	312,863	135,162	2,590,306	115,696	965,807	1,081,503	3,671,809
Total expenses before depreciation	1,867,996	592,018	576,887	213,132	3,250,033	228,204	1,283,840	1,512,044	4,762,077
Depreciation	1,974	23,457	2,144	2,144	29,719	2,144	2,315	4,459	34,178
Total expenses	\$ 1,869,970	\$ 615,475	\$ 579,031	\$ 215,276	\$ 3,279,752	\$ 230,348	\$ 1,286,155	\$ 1,516,503	\$ 4,796,255

See independent auditors' report.

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

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Families of SMA d/b/a Cure SMA  
Elk Grove, Illinois

We have audited, in accordance with the 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 Families of SMA d/b/a Cure SMA (the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kayman, Rossini & Co." The signature is written in a cursive style with a large, sweeping flourish at the end.

October 27, 2014  
Miami, Florida