

# Neurofibromatosis, Inc., Northeast

## Financial Statements

For the Years Ended  
December 31, 2012 and 2011

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
**Neurofibromatosis, Inc., Northeast**  
Burlington, Massachusetts

We have audited the accompanying financial statements of **Neurofibromatosis, Inc., Northeast** (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of functional expenses and cash flows for the years then ended, statement of activities and changes in net assets for the year ended December 31, 2012, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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.

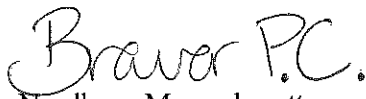
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Neurofibromatosis, Inc., Northeast**, as of December 31, 2012 and 2011, its cash flows for the years then ended, and the changes in its net assets for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited **Neurofibromatosis, Inc., Northeast's** 2011 financial statements, and our report dated May 25, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brewer P.C.

Needham, Massachusetts

May 17, 2013

## Neurofibromatosis, Inc., Northeast

### Statements of Financial Position December 31, 2012 and 2011

|                                   | <u>2012</u>       | <u>2011</u>       |
|-----------------------------------|-------------------|-------------------|
| <i>Assets</i>                     |                   |                   |
| Cash and cash equivalents         | \$ 481,132        | \$ 506,151        |
| Prepaid expenses and other assets | 12,706            | 3,206             |
| Property and equipment, net       | <u>13,983</u>     | <u>22,855</u>     |
| Total assets                      | <u>\$ 507,821</u> | <u>\$ 532,212</u> |
| <i>Liabilities and Net Assets</i> |                   |                   |
| Liabilities                       |                   |                   |
| Accounts payable                  | \$ -              | \$ 4,000          |
| Accrued expenses                  | 16,619            | 16,469            |
| Grants payable                    | <u>50,000</u>     | <u>50,000</u>     |
| Total liabilities                 | <u>66,619</u>     | <u>70,469</u>     |
| Net assets                        |                   |                   |
| Unrestricted                      | 389,467           | 405,758           |
| Temporarily restricted            | <u>51,735</u>     | <u>55,985</u>     |
| Total net assets                  | <u>441,202</u>    | <u>461,743</u>    |
| Total liabilities and net assets  | <u>\$ 507,821</u> | <u>\$ 532,212</u> |

## Neurofibromatosis, Inc., Northeast

### Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2012 (With Comparative Totals for 2011)

|                                       | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total<br/>2012</u> | <u>Total<br/>2011</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------|-----------------------|
| Revenues                              |                     |                                   |                       |                       |
| Special event revenue                 | \$ 523,673          | \$ 15,750                         | \$ 539,423            | \$ 525,388            |
| Special event costs                   | (139,904)           | -                                 | (139,904)             | (149,298)             |
| Net income from special events        | 383,769             | 15,750                            | 399,519               | 376,090               |
| Contributions                         | 110,344             | 25,000                            | 135,344               | 142,043               |
| Interest and dividend income          | 41                  | -                                 | 41                    | 86                    |
| Net assets released from restrictions | 45,000              | (45,000)                          | -                     | -                     |
| Total revenues                        | <u>539,154</u>      | <u>(4,250)</u>                    | <u>534,904</u>        | <u>518,219</u>        |
| Expenses                              |                     |                                   |                       |                       |
| Program                               | 462,005             | -                                 | 462,005               | 443,526               |
| Management and general                | 58,505              | -                                 | 58,505                | 49,773                |
| Fundraising                           | 34,935              | -                                 | 34,935                | 30,341                |
| Total expenses                        | <u>555,445</u>      | <u>-</u>                          | <u>555,445</u>        | <u>523,640</u>        |
| Change in net assets                  | (16,291)            | (4,250)                           | (20,541)              | (5,421)               |
| Net assets at beginning of year       | <u>405,758</u>      | <u>55,985</u>                     | <u>461,743</u>        | <u>467,164</u>        |
| Net assets at end of year             | <u>\$ 389,467</u>   | <u>\$ 51,735</u>                  | <u>\$ 441,202</u>     | <u>\$ 461,743</u>     |

*The accompanying notes are an integral part of these financial statements*

## Neurofibromatosis, Inc., Northeast

### Statements of Functional Expenses For the Year Ended December 31, 2012

|  | Program    | Management<br>and General | Fundraising | Total      |
|--|------------|---------------------------|-------------|------------|
| Salaries   | \$ 131,435 | \$ 38,658                 | \$ 23,195   | \$ 193,288 |
| Grants to other organizations  | 155,000    | -                         | -           | 155,000    |
| Special events   | -          | -                         | 139,904     | 139,904    |
| Public awareness   | 45,717     | -                         | -           | 45,717     |
| Family support   | 25,021     | -                         | -           | 25,021     |
| Office rent and utilities  | 16,232     | 4,774                     | 2,865       | 23,871     |
| Lobbying expense   | 23,000     | -                         | -           | 23,000     |
| Accounting fees  | 14,023     | 4,125                     | 2,475       | 20,623     |
| Payroll taxes  | 10,093     | 2,969                     | 1,781       | 14,843     |
| Office supplies and postage  | 9,219      | 1,785                     | 1,071       | 12,075     |
| Other program expense  | 9,389      | -                         | -           | 9,389      |
| Depreciation   | 6,033      | 1,774                     | 1,065       | 8,872      |
| Employee benefits  | 4,884      | 1,437                     | 862         | 7,183      |
| Bank processing fees   | 3,551      | 1,045                     | 627         | 5,223      |
| Telephone and internet   | 2,797      | 823                       | 494         | 4,114      |
| Insurance  | 2,519      | 741                       | 444         | 3,704      |
| Volunteer development  | 2,211      | -                         | -           | 2,211      |
| Reports and newsletters  | 561        | -                         | -           | 561        |
| Legal fees   | 320        | 94                        | 56          | 470        |
| Board meetings expense   | -          | 280                       | -           | 280        |
|  | 462,005    | 58,505                    | 174,839     | 695,349    |
| Less expenses included with<br>revenues on the statement of<br>activities and changes in net assets            | -          | -                         | (139,904)   | (139,904)  |
| Total expenses included in<br>the expenses section of the statement of<br>activities and changes in net assets | \$ 462,005 | \$ 58,505                 | \$ 34,935   | \$ 555,445 |

*Continued...*

## Neurofibromatosis, Inc., Northeast

### Statements of Functional Expenses For the Year Ended December 31, 2011

|  | <u>Program</u>    | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|--|-------------------|-----------------------------------|--------------------|-------------------|
| Salaries   | \$ 124,142        | \$ 31,473                         | \$ 19,233          | \$ 174,848        |
| Grants to other organizations  | 164,442           | -                                 | -                  | 164,442           |
| Special events   | -                 | -                                 | 149,298            | 149,298           |
| Public awareness   | 27,126            | -                                 | -                  | 27,126            |
| Lobbying expense   | 24,750            | -                                 | -                  | 24,750            |
| Office rent and utilities  | 16,100            | 4,082                             | 2,494              | 22,676            |
| Accounting fees  | 15,961            | 4,046                             | 2,473              | 22,480            |
| Other program expense  | 13,617            | -                                 | -                  | 13,617            |
| Payroll taxes  | 9,469             | 2,401                             | 1,467              | 13,337            |
| Family support   | 11,409            | -                                 | -                  | 11,409            |
| Office supplies and postage  | 8,341             | 1,509                             | 922                | 10,772            |
| Employee benefits  | 5,453             | 1,382                             | 845                | 7,680             |
| Bank processing fees   | 5,107             | 1,295                             | 791                | 7,193             |
| Legal fees   | 4,127             | 1,046                             | 639                | 5,812             |
| Depreciation   | 3,892             | 987                               | 603                | 5,482             |
| Telephone and internet   | 3,130             | 793                               | 485                | 4,408             |
| Insurance  | 2,511             | 637                               | 389                | 3,537             |
| Volunteer development  | 2,941             | -                                 | -                  | 2,941             |
| Reports and newsletters  | 1,008             | -                                 | -                  | 1,008             |
| Board meetings expense   | -                 | 122                               | -                  | 122               |
|  | <u>443,526</u>    | <u>49,773</u>                     | <u>179,639</u>     | <u>672,938</u>    |
| Less expenses included with<br>revenues on the statement of<br>activities and changes in net assets            | <u>-</u>          | <u>-</u>                          | <u>(149,298)</u>   | <u>(149,298)</u>  |
| Total expenses included in<br>the expenses section of the statement of<br>activities and changes in net assets | <u>\$ 443,526</u> | <u>\$ 49,773</u>                  | <u>\$ 30,341</u>   | <u>\$ 523,640</u> |

## Neurofibromatosis, Inc., Northeast

### Statements of Cash Flows For the Years Ended December 31, 2012 and 2011

|   | <u>2012</u>       | <u>2011</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities  |                   |                   |
| Change in net assets  | \$ (20,541)       | \$ (5,421)        |
| Adjustments to reconcile change in net assets to<br>net cash provided by (used in) operating activities |                   |                   |
| Depreciation  | 8,872             | 5,482             |
| Changes in operating assets and liabilities   |                   |                   |
| Decrease (increase) in prepaid expenses and other assets  | (9,500)           | 1,500             |
| Increase (decrease) in accounts payable   | (4,000)           | 4,000             |
| Increase in grants payable  | -                 | 50,000            |
| Increase in accrued expenses  | 150               | 309               |
| Net cash provided by (used in) operating activities   | <u>(25,019)</u>   | <u>55,870</u>     |
| Cash flows from investing activities  |                   |                   |
| Purchase of property and equipment  | <u>-</u>          | <u>(2,376)</u>    |
| Net cash used in investing activities   | <u>-</u>          | <u>(2,376)</u>    |
| Net increase (decrease) in cash and cash equivalents  | (25,019)          | 53,494            |
| Cash and cash equivalents at beginning of year  | <u>506,151</u>    | <u>452,657</u>    |
| Cash and cash equivalents at end of year  | <u>\$ 481,132</u> | <u>\$ 506,151</u> |



# Neurofibromatosis, Inc., Northeast

## Notes to the Financial Statements For the Years Ended December 31, 2012 and 2011

### 1. Organization

Neurofibromatosis, Inc., Northeast (the "Organization") is a Massachusetts not-for-profit organization founded in 1988. The Organization raises funds to support research of the causes, cure and treatment of a disease described as Neurofibromatosis, to promote and provide support services to patients and their families, to support clinics dedicated to diagnosis and treatment and to support programs intended to increase awareness of the disease.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### *Basis of Presentation*

The Organization is required by GAAP 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.

#### *Unrestricted Net Assets*

Unrestricted net assets represent those assets which the Organization may use at its discretion.

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets are subject to donor-imposed stipulations that they may or will be met by actions of the Organization and/or the passage of time.

#### *Permanently Restricted Net Assets*

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of those assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization has no permanently restricted net assets at December 31, 2012 or 2011.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Neurofibromatosis, Inc., Northeast

## Notes to the Financial Statements For the Years Ended December 31, 2012 and 2011

### 2. Summary of Significant Accounting Policies (Continued)

#### *Recognition of 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.

#### *Cash and Cash Equivalents*

For the purpose of the statements of cash flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

#### *Property and Equipment*

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight line method over the estimated useful lives of the assets, which range from 3 years to 7 years.

#### *Grants Payable*

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities. The Organization periodically awards grants for research only after a peer review committee has analyzed and approved the grant proposal. At December 31, 2012 and 2011, the Organization had outstanding grants payable of \$50,000.

#### *Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

#### *Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP were not met.

#### *Advertising*

The Organization expenses advertising as incurred. During the years ended December 31, 2012 and 2011, advertising costs totaled \$5,166 and \$3,210, respectively, and are included in public awareness in the statements of functional expenses.

## Neurofibromatosis, Inc., Northeast

### Notes to the Financial Statements For the Years Ended December 31, 2012 and 2011

#### 2. Summary of Significant Accounting Policies (Continued)

##### *Expense Allocation*

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

##### *Income Taxes*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Massachusetts income taxes under Massachusetts General Law 180. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income at both the state and federal levels. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization evaluates all significant tax positions as required by GAAP in the United States. As of December 31, 2012 and 2011, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2012, the Organization's income tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

##### *Commitments and Contingencies*

Donations often require the fulfillment of certain conditions as set forth in the actual donation. Failure to fulfill the conditions could result in the return of funds to the donors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely, since by accepting the gifts and their terms, it has made a commitment to fulfill the provisions of the gift.

##### *Comparative Financial Information*

The financial statements 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

##### *Subsequent Events*

The Organization has evaluated all subsequent events through May 17, 2013, the date the financial statements were available to be issued.

## Neurofibromatosis, Inc., Northeast

### Notes to the Financial Statements For the Years Ended December 31, 2012 and 2011

#### 3. Contributions In-Kind

The fair value of donated services included as contributions in the financial statements and the corresponding expenses consists of accounting services in the amount of \$10,400 for the years ended December 31, 2012 and 2011 and website services in the amount of \$6,000 for the year ended December 31, 2011.

The fair value of donated items included as contributions in the financial statements and the corresponding program expenses consists of gift certificates valued at \$10,000 and \$11,375 for the years ended December 31, 2012 and 2011, respectively.

#### 4. Property and Equipment

Property and equipment consist of the following major classifications as of December 31:

|                               | 2012      | 2011      |
|-------------------------------|-----------|-----------|
| Computer equipment            | \$ 11,371 | \$ 11,371 |
| Software                      | 33,786    | 33,786    |
| Office furniture & fixtures   | 3,376     | 3,376     |
|                               | 48,533    | 48,533    |
| Less accumulated depreciation | 34,550    | 25,678    |
|                               | \$ 13,983 | \$ 22,855 |

Depreciation expense amounted to \$8,872 and \$5,482 for the years ended December 31, 2012 and 2011, respectively.

#### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

|                                 | Balance<br>January 1, 2012 | Grants and<br>Contributions | Expenditure and<br>Appropriation | Balance<br>December 31, 2012 |
|---------------------------------|----------------------------|-----------------------------|----------------------------------|------------------------------|
| Support of affected individuals | \$ 55,985                  | \$ 40,750                   | \$ (45,000)                      | \$ 51,735                    |

#### 6. SIMPLE IRA Plan

The Organization maintains a SIMPLE IRA plan whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length of service requirements. Employees may elect to defer up to \$11,500 of their yearly compensation. The Organization makes matching contributions of 3% of compensation not to exceed \$10,000. The Organization's contributions to the plan amounted to \$2,970 and \$3,000 for the years ended December 31, 2012 and 2011, respectively.

## Neurofibromatosis, Inc., Northeast

### Notes to the Financial Statements For the Years Ended December 31, 2012 and 2011

#### 7. Commitments

##### *Operating Lease*

On November 22, 2010, the Organization signed a three year lease effective January 1, 2011 for office space in Burlington, Massachusetts. The Organization paid a security deposit of \$1,500 when the lease was signed.

Rental expense, including common area expenses, totaled \$19,200 and \$18,000 for the years ended December 31, 2012 and 2011, respectively.

Future minimum rental expenses under the operating lease total \$20,400 for 2013.

##### *Other Commitments*

On November 8, 2012, the Organization entered into an agreement with an event planning firm to provide services for the Organization's 25<sup>th</sup> anniversary event, held in April 2013. Per the agreement, the Organization made a \$9,500 deposit on November 15, 2012, with the remaining \$10,000 due 10 days prior to the event date.

#### 8. Concentrations of Credit Risk

The Organization has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount is \$250,000 for interest bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category. Non-interest bearing transaction deposit accounts are provided unlimited insurance coverage through December 31, 2012. Beginning on January 1, 2013, non-interest bearing transaction accounts will no longer be insured separately from depositors' other accounts at the same insured depository institution. Instead, non-interest bearing transaction accounts will be added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance is insured up to \$250,000, per depositor, per insured depository institution for each account ownership category. The Organization from time to time may have uninsured cash.

For the years ended December 31, 2012 and 2011, the Organization received approximately 24% and 28%, respectively, of total revenues from one golf event.