

NEUROFIBROMATOSIS, INC., NORTHEAST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

NEUROFIBROMATOSIS, INC., NORTHEAST

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Neurofibromatosis, Inc., Northeast (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

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, 2013, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements and Report on Summarized Comparative Information

The financial statements of Neurofibromatosis, Inc., Northeast as of December 31, 2012 and for the year then ended were audited by Braver P.C., whose practice was combined with Marcum LLP as of January 1, 2014, and whose report dated May 17, 2013 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Needham, Massachusetts
October 16, 2014

NEUROFIBROMATOSIS, INC., NORTHEAST

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 331,099	\$ 481,132
Investments	105,279	--
Prepaid expenses and other assets	3,206	12,706
Property and equipment, net	<u>5,320</u>	<u>13,983</u>
Total Assets	<u>\$ 444,904</u>	<u>\$ 507,821</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 11,540	\$ 16,619
Grants payable	<u>50,000</u>	<u>50,000</u>
Total Liabilities	<u>61,540</u>	<u>66,619</u>
Net Assets		
Unrestricted	339,140	389,467
Temporarily restricted	<u>44,224</u>	<u>51,735</u>
Total Net Assets	<u>383,364</u>	<u>441,202</u>
Total Liabilities and Net Assets	<u>\$ 444,904</u>	<u>\$ 507,821</u>

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

NEUROFIBROMATOSIS, INC., NORTHEAST

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Revenues				
Special event revenue	\$ 576,811	\$ 17,489	\$ 594,300	\$ 539,423
Special event costs	<u>(187,371)</u>	<u>--</u>	<u>(187,371)</u>	<u>(139,904)</u>
Net income from special events	389,440	17,489	406,929	399,519
Contributions	91,856	25,000	116,856	135,344
Interest and dividend income	1,441	--	1,441	41
Realized and unrealized gain on investments	4,495	--	4,495	--
Net assets released from restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>--</u>	<u>--</u>
Total Revenues	<u>537,232</u>	<u>(7,511)</u>	<u>529,721</u>	<u>534,904</u>
Expenses				
Program	467,728	--	467,728	462,005
Management and general	80,181	--	80,181	58,505
Fundraising	<u>39,650</u>	<u>--</u>	<u>39,650</u>	<u>34,935</u>
Total Expenses	<u>587,559</u>	<u>--</u>	<u>587,559</u>	<u>555,445</u>
Change in Net Assets	(50,327)	(7,511)	(57,838)	(20,541)
Net Assets at Beginning of Year	<u>389,467</u>	<u>51,735</u>	<u>441,202</u>	<u>461,743</u>
Net Assets at End of Year	<u>\$ 339,140</u>	<u>\$ 44,224</u>	<u>\$ 383,364</u>	<u>\$ 441,202</u>

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

NEUROFIBROMATOSIS, INC., NORTHEAST

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program	Management and General	Fundraising	Total
Salaries	\$ 148,376	\$ 48,721	\$ 24,360	\$ 221,457
Special events	--	--	187,371	187,371
Grants to other organizations	130,000	--	--	130,000
Consultant fees	24,379	8,005	4,003	36,387
Lobbying expense	33,127	--	--	33,127
Family support	25,613	--	--	25,613
Office rent and utilities	16,118	5,293	2,646	24,057
Accounting fees	14,382	4,722	2,361	21,465
Public awareness	18,650	--	--	18,650
Payroll taxes	11,709	3,845	1,922	17,476
Office supplies and postage	10,934	2,548	1,274	14,756
Depreciation	5,804	1,906	953	8,663
Bank processing fees	4,747	1,558	779	7,084
Volunteer development	7,066	--	--	7,066
Other program expense	4,878	--	--	4,878
Employee benefits	3,132	1,029	514	4,675
Insurance	2,566	842	421	3,829
Telephone and internet	2,494	819	409	3,722
Reports and newsletters	3,703	--	--	3,703
Investment fees	--	613	--	613
Board meetings expense	--	264	--	264
Legal fees	50	16	8	74
	<u>467,728</u>	<u>80,181</u>	<u>227,021</u>	<u>774,930</u>
Less expenses included with revenues on the statement of activities and change in net assets	<u>--</u>	<u>--</u>	<u>(187,371)</u>	<u>(187,371)</u>
Total Expenses Included in the Expenses Section of the Statement of Activities and Change in Net Assets	<u>\$ 467,728</u>	<u>\$ 80,181</u>	<u>\$ 39,650</u>	<u>\$ 587,559</u>

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

NEUROFIBROMATOSIS, INC., NORTHEAST

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Program	Management 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 revenues on the statement of activities and change in net assets	--	--	(139,904)	(139,904)
Total Expenses Included in the Expenses Section of the Statement of Activities and Change in Net Assets	\$ 462,005	\$ 58,505	\$ 34,935	\$ 555,445

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

NEUROFIBROMATOSIS, INC., NORTHEAST

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ (57,838)	\$ (20,541)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gains on investments	(4,495)	--
Investment income reinvested	(1,397)	--
Investment fees	613	--
Depreciation	8,663	8,872
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other assets	9,500	(9,500)
Decrease in accounts payable and accrued expenses	(5,079)	(3,850)
Net Cash Used in Operating Activities	<u>(50,033)</u>	<u>(25,019)</u>
Cash Flows from Investing Activities		
Purchase of investments	(144,207)	--
Proceeds from sale of investments	44,207	--
Net Cash Used in Investing Activities	<u>(100,000)</u>	<u>--</u>
Net Decrease in Cash and Cash Equivalents	(150,033)	(25,019)
Cash and Cash Equivalents at Beginning of Year	<u>481,132</u>	<u>506,151</u>
Cash and Cash Equivalents at End of Year	<u>\$ 331,099</u>	<u>\$ 481,132</u>

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

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - ORGANIZATION AND DESCRIPTION OF OPERATIONS

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.

NOTE 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 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, 2013 or 2012.

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements 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.

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. When the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished), they are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

INVESTMENTS AND INVESTMENT INCOME

Investments in marketable equity and debt securities with readily determinable fair values are carried at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in temporarily restricted net assets. When the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished), they are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

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.

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013 and 2012, the Organization had 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 were not met.

ADVERTISING

The Organization expenses advertising as incurred. During the years ended December 31, 2013 and 2012, advertising costs totaled \$2,250 and \$5,166, respectively, and are included in public awareness in the statements of functional expenses.

EXPENSE ALLOCATION

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

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of December 31, 2013 and 2012, 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. The Organization believes it is no longer subject to examination for years prior to 2010.

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, 2012, from which the summarized information was derived.

SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through October 16, 2014, the date the financial statements were available to be issued.

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization's investments at December 31, 2013 consist of the following:

	<u>2013</u>
Mutual funds	
Small cap	\$ 24,847
Mid cap	20,674
Large cap	6,795
Corporate stock - Exchange traded / closed-end funds	45,970
Money market funds	<u>6,993</u>
	<u>\$ 105,279</u>

The following schedule summarizes the investment return and its classification in the statement of activities and change in net assets for the year ended December 31, 2013:

	<u>Unrestricted 2013</u>
Interest and dividend income	\$ 1,397
Net realized and unrealized gains on investments	<u>4,495</u>
Total investment return	5,892
Investment fees	<u>(613)</u>
Total investment return, net of fees	<u>\$ 5,279</u>

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable;

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds and Mutual funds: Valued at the net asset value of shares held by the Organization at year end.

Corporate Stock/Equities: Valued at the closing price reported in the active trading market (NYSE, NYSE Amex Equities, NASDAQ) in which the individual securities are traded.

The preceding method described may produce a fair value that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

These investments are all measured using Level 1 measurements.

NOTE 4 - 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 \$11,000 and \$10,400 for the years ended December 31, 2013 and 2012, respectively.

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 for the year ended December 31, 2012.

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2013	2012
Computer equipment	\$ 11,371	\$ 11,371
Software	33,786	33,786
Office furniture & fixtures	<u>3,376</u>	<u>3,376</u>
	48,533	48,533
Less accumulated depreciation	<u>43,213</u>	<u>34,550</u>
	<u>\$ 5,320</u>	<u>\$ 13,983</u>

Depreciation expense amounted to \$8,663 and \$8,872 for the years ended December 31, 2013 and 2012, respectively.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	Balance January 1, 2013	Grants and Contributions	Expenditures and Appropriation	Balance December 31, 2013
Support of affected individuals	<u>\$ 51,735</u>	<u>\$ 42,489</u>	<u>\$ (50,000)</u>	<u>\$ 44,224</u>

NOTE 7 - 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 \$1,140 and \$2,970 for the years ended December 31, 2013 and 2012, respectively.

NEUROFIBROMATOSIS, INC., NORTHEAST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 – 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. On December 5, 2013, the Organization signed a three year lease extension effective January 1, 2014.

Rental expense, including common area expenses, totaled \$20,400 and \$19,200 for the years ended December 31, 2013 and 2012, respectively.

Future minimum rental expenses under the operating lease are as follows:

2014	\$	20,400
2015		21,600
2016		<u>22,800</u>
Total	\$	<u>64,800</u>

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Organization has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). The maximum deposit insurance amount is \$250,000, per depositor, per insured depository institution for each account ownership category.

For the years ended December 31, 2013 and 2012, the Organization received approximately 24% of total revenues from one golf event.