

Neurofibromatosis, Inc., Northeast

Financial Statements

**For the Years Ended
December 31, 2011 and 2010**

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of **Neurofibromatosis, Inc., Northeast** (a not-for-profit organization) as of December 31, 2011 and 2010, and the related statements of functional expenses and cash flows for the years then ended, and statement of activities and changes in net assets for the year ended December 31, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's December 31, 2010 financial statements and in our report dated August 24, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Neurofibromatosis, Inc., Northeast**, as of December 31, 2011 and 2010, its cash flows for the years then ended, and the changes in its net assets for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.



Needham, Massachusetts
May 25, 2012

Neurofibromatosis, Inc., Northeast

Statements of Financial Position December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 506,151	\$ 452,657
Prepaid expenses and other assets	3,206	4,706
Property and equipment, net	<u>22,855</u>	<u>28,337</u>
Total assets	<u>\$ 532,212</u>	<u>\$ 485,700</u>
<i>Liabilities and Net Assets</i>		
Liabilities		
Accounts payable	\$ 4,000	\$ 2,376
Accrued expenses	16,469	16,160
Grants payable	<u>50,000</u>	<u>-</u>
Total liabilities	<u>70,469</u>	<u>18,536</u>
Net assets		
Unrestricted	405,758	410,104
Temporarily restricted	<u>55,985</u>	<u>57,060</u>
Total net assets	<u>461,743</u>	<u>467,164</u>
Total liabilities and net assets	<u>\$ 532,212</u>	<u>\$ 485,700</u>

Neurofibromatosis, Inc., Northeast

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2011 (With Comparative Totals for 2010)

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
Revenues				
Special event revenue	\$ 510,153	\$ 15,235	\$ 525,388	\$ 530,670
Special event costs	(149,298)	-	(149,298)	(164,575)
Net income from fundraising events	360,855	15,235	376,090	366,095
Contributions	111,043	31,000	142,043	138,533
Interest and dividend income	86	-	86	500
Net assets released from restrictions	47,310	(47,310)	-	-
Total revenues	<u>519,294</u>	<u>(1,075)</u>	<u>518,219</u>	<u>505,128</u>
Expenses				
Program	443,526	-	443,526	272,795
Management and general	49,773	-	49,773	43,595
Fundraising	30,341	-	30,341	24,949
Total expenses	<u>523,640</u>	<u>-</u>	<u>523,640</u>	<u>341,339</u>
Change in net assets	<u>(4,346)</u>	<u>(1,075)</u>	<u>(5,421)</u>	<u>163,789</u>
Net assets at beginning of year	410,104	57,060	467,164	303,375
Net assets at end of year	<u>\$ 405,758</u>	<u>\$ 55,985</u>	<u>\$ 461,743</u>	<u>\$ 467,164</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, 2011

	Program	Management and General	Fundraising	Total
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
	443,526	49,773	179,639	672,938
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	(149,298)	(149,298)
Total expenses included in the expenses section of the statement of activities and changes in net assets	\$ 443,526	\$ 49,773	\$ 30,341	\$ 523,640

Continued...

Neurofibromatosis, Inc., Northeast

Statement of Functional Expenses For the Year Ended December 31, 2010

	Program	Management and General	Fundraising	Total
Special events	\$ -	\$ -	\$ 164,575	\$ 164,575
Salaries	105,307	28,583	16,549	150,439
Public awareness	29,142	-	-	29,142
Lobbying expense	27,750	-	-	27,750
Grants to other organizations	26,395	-	-	26,395
Accounting fees	15,638	4,245	2,457	22,340
Family support	14,352	-	-	14,352
Office rent and utilities	9,643	2,617	1,515	13,775
Payroll taxes	7,392	2,006	1,162	10,560
Other program expense	9,060	-	-	9,060
Employee benefits	5,731	1,556	901	8,188
Office supplies and postage	5,911	654	378	6,943
Bank processing fees	4,059	1,102	638	5,799
Telephone and internet	3,204	869	502	4,575
Depreciation	2,914	791	458	4,163
Insurance	2,477	672	389	3,538
Volunteer development	2,167	-	-	2,167
Reports and newsletters	1,653	-	-	1,653
Board meetings expense	-	500	-	500
	272,795	43,595	189,524	505,914
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	(164,575)	(164,575)
Total expenses included in the expenses section of the statement of activities and changes in net assets	\$ 272,795	\$ 43,595	\$ 24,949	\$ 341,339

Neurofibromatosis, Inc., Northeast

Statements of Cash Flows For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (5,421)	\$ 163,789
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,482	4,163
Changes in operating assets and liabilities		
Decrease (increase) in prepaid expenses and other assets	1,500	(3,000)
Increase in accounts payable	4,000	-
Increase (decrease) in grants payable	50,000	(99,787)
Increase in accrued expenses	309	1,800
	55,870	66,965
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(2,376)	(25,416)
Net cash used in investing activities	(2,376)	(25,416)
Net increase in cash and cash equivalents	53,494	41,549
Cash and cash equivalents at beginning of year	452,657	411,108
Cash and cash equivalents at end of year	\$ 506,151	\$ 452,657
<i>Non-Cash Investing and Financing Activities</i>		
Accrued costs for purchase of property and equipment	\$ -	\$ 2,376

Neurofibromatosis, Inc., Northeast

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

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, 2011 or 2010.

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 Financial Statements For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010, the Organization had outstanding grants payable of \$50,000 and \$0, respectively.

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, 2011 and 2010, advertising costs totaled \$3,210 and \$6,053, respectively, and are included in public awareness in the statements of functional expenses.

Neurofibromatosis, Inc., Northeast

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010, 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, 2011, 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, 2010, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated all subsequent events through May 25, 2012, the date the financial statements were available to be issued.

Neurofibromatosis, Inc., Northeast

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010 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 \$11,375 and \$10,000 for the years ended December 31, 2011 and 2010, respectively.

4. Property and Equipment

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

	2011	2010
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	25,678	20,196
	\$ 22,855	\$ 28,337

Depreciation expense amounted to \$5,482 and \$4,163 for the years ended December 31, 2011 and 2010, respectively.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2011:

	Beginning of Year	Grants and Contributions	Expenditure and Appropriation	End of Year
Research	\$ 17,310	\$ -	\$ (17,310)	\$ -
Support of affected individuals	39,750	46,235	(30,000)	55,985
Total	\$ 57,060	\$ 46,235	\$ (47,310)	\$ 55,985

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 in matching the amount. The Organization's contributions to the plan amounted to \$3,000 for the years ended December 31, 2011 and 2010.

Neurofibromatosis, Inc., Northeast

Notes to Financial Statements For the Years Ended December 31, 2011 and 2010

7. 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 along with first month's rent of \$1,500.

Rental expense, including common area expenses, totaled \$18,000 and \$10,800 for the years ended December 31, 2011 and 2010, respectively.

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

2012	\$	19,200
2013		<u>20,400</u>
Total	\$	<u><u>39,600</u></u>

8. 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 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. As of December 31, 2011, the Organization had \$163,352 in excess of FDIC limits.

For the years ended December 31, 2011 and 2010, the Organization received approximately 34% and 35% of total revenues from one golf event, respectively.