

Neurofibromatosis, Inc., Northeast

Financial Statements

For the Years Ended
December 31, 2010 and 2009

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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, 2010 and 2009, 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, 2010. 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, 2009 financial statements and in our report dated August 13, 2010, 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, 2010 and 2009, its cash flows for the years then ended, and the changes in its net assets for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Needham, Massachusetts
August 24, 2011

Neurofibromatosis, Inc., Northeast

Statements of Financial Position December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 452,657	\$ 411,108
Prepaid expenses and other assets	4,706	1,706
Property and equipment, net	<u>28,337</u>	<u>4,708</u>
Total assets	<u>\$ 485,700</u>	<u>\$ 417,522</u>
<i>Liabilities and Net Assets</i>		
Liabilities		
Accounts payable	\$ 2,376	\$ -
Accrued expenses	16,160	14,360
Grants payable	<u>-</u>	<u>99,787</u>
Total liabilities	<u>18,536</u>	<u>114,147</u>
Net assets		
Unrestricted	410,104	256,327
Temporarily restricted	<u>57,060</u>	<u>47,048</u>
Total net assets	<u>467,164</u>	<u>303,375</u>
Total liabilities and net assets	<u>\$ 485,700</u>	<u>\$ 417,522</u>

Neurofibromatosis, Inc., Northeast

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2010 (With Comparative Totals for 2009)

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
Revenues				
Special event revenue	\$ 503,610	\$ 27,060	\$ 530,670	\$ 430,290
Special event costs	(164,575)	-	(164,575)	(123,223)
Net income from fundraising events	339,035	27,060	366,095	307,067
Contributions	111,533	27,000	138,533	118,259
Interest and dividend income	500	-	500	1,126
Net assets released from restrictions	44,048	(44,048)	-	-
Total revenues	495,116	10,012	505,128	426,452
Expenses				
Program	272,795	-	272,795	380,668
Management and general	43,595	-	43,595	34,910
Fundraising	24,949	-	24,949	16,075
Total expenses	341,339	-	341,339	431,653
Change in net assets	153,777	10,012	163,789	(5,201)
Net assets at beginning of year	256,327	47,048	303,375	308,576
Net assets at end of year	\$ 410,104	\$ 57,060	\$ 467,164	\$ 303,375

The accompanying notes are an integral part of these financial statements

Neurofibromatosis, Inc., Northeast

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

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
	<u>272,795</u>	<u>43,595</u>	<u>189,524</u>	<u>505,914</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(164,575)</u>	<u>(164,575)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 272,795</u>	<u>\$ 43,595</u>	<u>\$ 24,949</u>	<u>\$ 341,339</u>

Neurofibromatosis, Inc., Northeast

Statement of Functional Expenses For the Year Ended December 31, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 114,542	\$ 22,027	\$ 10,280	\$ 146,849
Grants to other organizations	129,247	-	-	129,247
Special events	-	-	123,223	123,223
Lobbying expense	34,500	-	-	34,500
Accounting fees	18,158	3,492	1,630	23,280
Employee benefits	11,451	2,202	1,028	14,681
Office rent and utilities	9,564	1,839	858	12,261
Payroll taxes	8,797	1,692	789	11,278
Other program expense	10,394	-	-	10,394
Family support	9,873	-	-	9,873
Public awareness	8,860	-	-	8,860
Office supplies and postage	6,950	593	277	7,820
Bank processing fees	4,235	815	380	5,430
Telephone and internet	3,374	649	302	4,325
Depreciation	3,178	611	285	4,074
Reports and newsletters	3,523	-	-	3,523
Insurance	2,736	526	246	3,508
Volunteer development	1,286	-	-	1,286
Board meetings expense	-	464	-	464
	<u>380,668</u>	<u>34,910</u>	<u>139,298</u>	<u>554,876</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(123,223)</u>	<u>(123,223)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 380,668</u>	<u>\$ 34,910</u>	<u>\$ 16,075</u>	<u>\$ 431,653</u>

Neurofibromatosis, Inc., Northeast

Statements of Cash Flows For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 163,789	\$ (5,201)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,163	4,074
Changes in operating assets and liabilities		
Increase in prepaid expenses and other assets	(3,000)	-
Increase (decrease) in grants payable	(99,787)	39,103
Increase (decrease) in accrued expenses	1,800	(724)
Net cash provided by operating activities	66,965	37,252
Cash flows from investing activities		
Purchase of property and equipment	(25,416)	-
Net cash used in investing activities	(25,416)	-
Net increase in cash and cash equivalents	41,549	37,252
Cash and cash equivalents at beginning of year	411,108	373,856
Cash and cash equivalents at end of year	\$ 452,657	\$ 411,108
<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, 2010 and 2009

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, 2010 or 2009.

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, 2010 and 2009

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, 2010 and 2009, the Organization had outstanding grants payable of \$0 and \$99,787, 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, 2010 and 2009, advertising costs totaled \$6,053 and \$5,400, 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, 2010 and 2009

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 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, 2010 and 2009, 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, 2010, 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, 2009, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated all subsequent events through August 24, 2011, the date the financial statements were available to be issued.

Neurofibromatosis, Inc., Northeast

Notes to Financial Statements For the Years Ended December 31, 2010 and 2009

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, 2010 and 2009.

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, 2010.

4. Property and Equipment

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

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 11,371	\$ 11,371
Software	33,786	9,370
Office furniture & fixtures	<u>3,376</u>	<u>-</u>
	48,533	20,741
Less accumulated depreciation	<u>20,196</u>	<u>16,033</u>
	<u>\$ 28,337</u>	<u>\$ 4,708</u>

Depreciation expense amounted to \$4,163 and \$4,074 for the years ended December 31, 2010 and 2009, respectively.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2010:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Satisfactions</u>	<u>End of Year</u>
Support of affected individuals	<u>\$ 47,048</u>	<u>\$ 54,060</u>	<u>\$ (44,048)</u>	<u>\$ 57,060</u>

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, 2010 and 2009.

Neurofibromatosis, Inc., Northeast

Notes to Financial Statements For the Years Ended December 31, 2010 and 2009

7. Operating Lease

The Organization occupied office facilities located in Burlington, Massachusetts as a tenant at will through December 31, 2010. Rental expense, including common area expenses, totaled \$10,800 for the years ended December 31, 2010 and 2009.

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, each of which are included in prepaid expenses and other assets as of December 31, 2010.

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

2011	\$	18,000
2012		19,200
2013		<u>20,400</u>
Total	\$	<u>57,600</u>

8. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of temporary cash investments. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one institution. Cash balances held with various financial institutions occasionally exceed the insurance limit of \$250,000 provided by the Federal Deposit Insurance Corporation.

For the years ended December 31, 2010 and 2009, the Organization received approximately 35% and 28% of total revenues from one golf event, respectively.