

Neurofibromatosis, Inc., Northeast

Financial Statements

For the Years Ended
December 31, 2012 and 2011

Contents

	Page(s)
Report of independent auditors.....	1-2
Financial statements	
Statements of financial position.....	3
Statement of activities and changes in net assets (with comparative totals for 2011).....	4
Statements of functional expenses.....	5-6
Statements of cash flows.....	7
Notes to the financial statements.....	8-12

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.

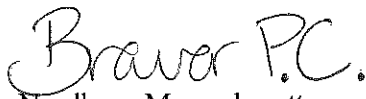
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.



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 Restricted</u>	<u>Total 2012</u>	<u>Total 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 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 changes in net assets	-	-	(139,904)	(139,904)
Total expenses included in the expenses section of the statement of 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 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 revenues on the statement of activities and changes in net assets	<u>-</u>	<u>-</u>	<u>(149,298)</u>	<u>(149,298)</u>
Total expenses included in the expenses section of the statement of 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 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
	<u>\$ 13,983</u>	<u>\$ 22,855</u>

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 January 1, 2012	Grants and Contributions	Expenditure and Appropriation	Balance 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 25th 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.