

**NEUROFIBROMATOSIS, INC., NORTHEAST**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

# NEUROFIBROMATOSIS, INC., NORTHEAST

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Neurofibromatosis, Inc., Northeast (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years 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 auditor considers 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marcum LLP*

Needham, MA  
October 21, 2015

# NEUROFIBROMATOSIS, INC., NORTHEAST

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 411,602	\$ 331,099
Investments	106,179	105,279
Prepaid expenses and other assets	7,923	3,206
Property and equipment, net	<u>8,043</u>	<u>5,320</u>
<b>Total Assets</b>	<u><u>\$ 533,747</u></u>	<u><u>\$ 444,904</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 17,250	\$ 11,540
Grants payable	<u>50,000</u>	<u>50,000</u>
<b>Total Liabilities</b>	<u>67,250</u>	<u>61,540</u>
<b>Net Assets</b>		
Unrestricted	413,635	339,140
Temporarily restricted	<u>52,862</u>	<u>44,224</u>
<b>Total Net Assets</b>	<u>466,497</u>	<u>383,364</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 533,747</u></u>	<u><u>\$ 444,904</u></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, 2014**

**(WITH COMPARATIVE TOTALS FOR 2013)**

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013 (Note 2)
<b>Revenues</b>				
Special event revenue	\$ 659,319	\$ --	\$ 659,319	\$ 594,300
Special event costs	<u>(138,713)</u>	<u>--</u>	<u>(138,713)</u>	<u>(187,371)</u>
Net income from special events	520,606	--	520,606	406,929
Contributions	188,885	52,862	241,747	116,856
Interest and dividend income	3,066	--	3,066	1,441
Realized and unrealized gain (loss) on investme	(1,095)	--	(1,095)	4,495
Net assets released from restrictions	<u>44,224</u>	<u>(44,224)</u>	<u>--</u>	<u>--</u>
<b>Total Revenues</b>	<u>755,686</u>	<u>8,638</u>	<u>764,324</u>	<u>529,721</u>
<b>Expenses</b>				
Program	567,502	--	567,502	467,728
Management and general	72,202	--	72,202	80,181
Fundraising	<u>41,487</u>	<u>--</u>	<u>41,487</u>	<u>39,650</u>
<b>Total Expenses</b>	<u>681,191</u>	<u>--</u>	<u>681,191</u>	<u>587,559</u>
<b>Change in Net Assets</b>	74,495	8,638	83,133	(57,838)
<b>Net Assets - Beginning of Year</b>	<u>339,140</u>	<u>44,224</u>	<u>383,364</u>	<u>441,202</u>
<b>Net Assets - End of Year</b>	<u>\$ 413,635</u>	<u>\$ 52,862</u>	<u>\$ 466,497</u>	<u>\$ 383,364</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, 2014**

	Program	Management and General	Fundraising	Total
Salaries	\$ 214,789	\$ 50,019	\$ 29,423	\$ 294,231
Grants to other organizations	163,000	--	--	163,000
Special events	--	--	138,713	138,713
Lobbying expense	29,162	--	--	29,162
Family support	28,807	--	--	28,807
Payroll taxes	20,532	4,782	2,813	28,127
Accounting fees	19,616	4,568	2,687	26,871
Office rent and utilities	18,468	4,301	2,530	25,299
Public awareness	22,523	--	--	22,523
Office supplies and postage	13,791	2,443	1,437	17,671
Employee benefits	5,880	1,370	806	8,056
Scholarship	8,000	--	--	8,000
Bank processing fees	4,589	1,069	629	6,287
Other program expense	5,503	--	--	5,503
Depreciation	3,406	793	467	4,666
Insurance	2,748	640	376	3,764
Volunteer development	3,409	--	--	3,409
Telephone and internet	2,325	542	319	3,186
Investment fees	--	1,059	--	1,059
Reports and newsletters	954	--	--	954
Board meetings expense	--	616	--	616
	<u>567,502</u>	<u>72,202</u>	<u>180,200</u>	<u>819,904</u>
Less expenses included as a reduction of related revenues on the statement of activities and change in net assets	<u>--</u>	<u>--</u>	<u>(138,713)</u>	<u>(138,713)</u>
<b>Total Expenses Included in the Expenses Section of the Statement of Activities and Change in Net Assets</b>	<u>\$ 567,502</u>	<u>\$ 72,202</u>	<u>\$ 41,487</u>	<u>\$ 681,191</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
	467,728	80,181	227,021	774,930
Less expenses included as a reduction of related revenues on the statement of activities and change in net assets	--	--	(187,371)	(187,371)
<b>Total Expenses Included in the Expenses Section of the Statement of Activities and Change in Net Assets</b>	<b>\$ 467,728</b>	<b>\$ 80,181</b>	<b>\$ 39,650</b>	<b>\$ 587,559</b>

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

# NEUROFIBROMATOSIS, INC., NORTHEAST

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 83,133	\$ (57,838)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized loss (gain) on investments	1,095	(4,495)
Investment income reinvested	(2,253)	(1,397)
Investment fees	1,059	613
Depreciation	4,666	8,663
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses and other assets	(4,717)	9,500
Increase (decrease) in accounts payable and accrued expenses	<u>5,710</u>	<u>(5,079)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>88,693</u>	<u>(50,033)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(7,389)	--
Purchase of investments	(158,309)	(144,207)
Proceeds from sale of investments	<u>157,508</u>	<u>44,207</u>
<b>Net Cash Used in Investing Activities</b>	<u>(8,190)</u>	<u>(100,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	80,503	(150,033)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>331,099</u>	<u>481,132</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 411,602</u>	<u>\$ 331,099</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, 2014 AND 2013

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#### **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, 2014 or 2013.

# NEUROFIBROMATOSIS, INC., NORTHEAST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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#### 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 determining the change in net assets in the accompanying statement of activities and change in net assets. 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.

# NEUROFIBROMATOSIS, INC., NORTHEAST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *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, 2014 and 2013, 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, 2014 and 2013, advertising costs totaled \$21,191 and \$2,250, 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, 2014 AND 2013

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#### NOTE 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 statement of activities and change in net assets, and the 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 of December 31, 2014 and 2013, 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 2011.

##### *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 statement of activities and change in net assets includes 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, 2013, from which the summarized information was derived.

# NEUROFIBROMATOSIS, INC., NORTHEAST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *SUBSEQUENT EVENTS*

The Organization has evaluated all subsequent events through October 21, 2015, the date the financial statements were available to be issued.

#### NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization's investments at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Mutual funds		
Small cap	\$ 20,093	\$ 24,847
Mid cap	31,994	20,674
Large cap	2,566	6,795
Corporate stock - Exchange traded / closed-end funds	41,284	45,970
Money market funds	10,242	6,993
	<u>\$ 106,179</u>	<u>\$ 105,279</u>

The following schedule summarizes the investment return and its classification in the statements of activities and change in net assets for the years ended December 31, 2014 and 2013:

	<u>Unrestricted 2014</u>	<u>Unrestricted 2013</u>
Interest and dividend income	\$ 3,054	\$ 1,397
Net realized and unrealized loss on investments	<u>(1,095)</u>	<u>4,495</u>
Total investment return	1,959	5,892
Investment fees	<u>(1,059)</u>	<u>(613)</u>
Total investment return, net of fees	<u>\$ 900</u>	<u>\$ 5,279</u>

# NEUROFIBROMATOSIS, INC., NORTHEAST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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#### NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

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:

#### 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.

All of the organization's investments are valued using Level 1 measurements.

# NEUROFIBROMATOSIS, INC., NORTHEAST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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#### 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 \$12,000 and \$11,000 for the years ended December 31, 2014 and 2013, respectively.

#### NOTE 5 - PROPERTY AND EQUIPMENT

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

	2014	2013
Computer equipment	\$ 4,466	\$ 11,371
Software	24,416	33,786
Office furniture & fixtures	<u>6,299</u>	<u>3,376</u>
	35,181	48,533
Less accumulated depreciation	<u>(27,138)</u>	<u>(43,213)</u>
Property and equipment, net	<u>\$ 8,043</u>	<u>\$ 5,320</u>

Depreciation expense amounted to \$4,666 and \$8,663 for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the Organization wrote off fully depreciated computer equipment and software with a cost basis of \$20,741.

#### NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	Balance January 1, 2014	Grants and Contributions	Expenditures and Appropriation	Balance December 31, 2014
Support of affected individuals	<u>\$ 44,224</u>	<u>\$ 52,862</u>	<u>\$ (44,224)</u>	<u>\$ 52,862</u>

# NEUROFIBROMATOSIS, INC., NORTHEAST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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#### 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 under 50 years of age may elect to defer up to \$12,000 of their yearly compensation, and employees aged 50 and over may elect to defer up to \$14,500 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 \$3,000 and \$1,140 for the years ended December 31, 2014 and 2013, respectively.

#### 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 for the years ended December 31, 2014 and 2013.

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

2015	\$	21,600
2016		<u>22,800</u>
Total	\$	<u>44,400</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, 2014 and 2013, the Organization received approximately 19% and 24%, respectively, of total revenues from one golf event.