

# **FRAXA Research Foundation, Inc**

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Financial Statements  
Year ended 12.31.2009



P.O. Box 157 ☆ 5-7 Perry Way ☆ Newburyport, MA 01950

## Independent Auditor's Report

To the Board of Directors  
FRAXA Research Foundation, Inc.

We have audited the accompanying statements of financial position of FRAXA Research Foundation, Inc. as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 FRAXA Research Foundation, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Riley & Associates, P.C.*

04.30.10

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## FRAXA Research Foundation, Inc.

Statement of Financial Position ~ 12.31.09

<b>Assets</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,411,257
Investments	1,276,946
<i>Total Cash and Cash Equivalents</i>	<u>2,688,203</u>
Pledge Receivable ~ Short Term	5,000
Accounts Receivable	94,825
<i>Total Current Assets</i>	<u>2,788,028</u>
<i>Equipment and Property, at Cost:</i>	
Equipment	5,558
Less - Accumulated Depreciation	5,476
<i>Net Equipment and Property</i>	<u>82</u>
<i>Other Assets:</i>	
Pledge Receivable~ Long Term	10,000
Prepaid Expenses	22,324
<b>Total Assets</b>	<u><u>\$ 2,820,434</u></u>
<b>Liabilities and Net Assets</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 673
Accrued Expenses	26,864
<i>Total Current Liabilities</i>	<u>27,537</u>
<i>Net Assets:</i>	
Unrestricted Net Assets	2,777,897
Temporarily Restricted Net Assets	15,000
Permanently Restricted Net Assets	-
<i>Total Net Assets</i>	<u>2,792,897</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,820,434</u></u>

The accompanying notes and accountant's report are an integral part of these financial statements

**FRAXA Research Foundation, Inc.**

Statement of Activities ~ Year Ended 12.31.09

	Temporarily		
	Unrestricted	Restricted	Total
<i>Revenues and Public Support</i>			
Contributions	\$ 631,904	\$ 55,000	\$ 686,904
In-Kind Contributions	26,551		26,551
Product Sales	3,308		3,308
Miscellaneous Income	1,198		1,198
Contracts	15,571		15,571
Realized Loss on Investments	(328,233)		(328,233)
Unrealized Gain on Investments	576,219		576,219
Fundraising Events	603,513		603,513
Less: Direct Donor Costs	(52,237)		(52,237)
<i>Total Revenues and Public Support</i>	<u>1,477,794</u>	<u>55,000</u>	<u>1,532,794</u>
Allocated Investment Income	81,413		81,413
	<u>1,559,207</u>	<u>55,000</u>	<u>1,614,207</u>
<i>Net Assets Released from Restrictions</i>			
Satisfaction of Program Restrictions	45,000	(45,000)	-
	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>
<i>Total Revenues and Public Support</i>	<u>1,604,207</u>	<u>10,000</u>	<u>1,614,207</u>
<i>Expenses</i>			
Program Services- Research	1,643,831	-	1,643,831
Program Services - Education	104,135		104,135
Fundraising	168,700		168,700
Administration	49,135		49,135
	<u>1,965,801</u>	<u>-</u>	<u>1,965,801</u>
<i>Net Change in Net Assets</i>	<u>(361,594)</u>	<u>10,000</u>	<u>(351,594)</u>
Net Assets, Beginning of the Year	<u>3,139,491</u>	<u>5,000</u>	<u>3,144,491</u>
Net Assets, End of the Year	<u>\$ 2,777,897</u>	<u>\$ 15,000</u>	<u>\$ 2,792,897</u>

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## FRAXA Research Foundation, Inc.

Statement of Functional Expenses ~ Year Ended 12.31.09

	<u>Research</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total Functional Expenses</u>
Grants	\$ 1,517,722		\$ 1,517,722			\$ 1,517,722
Bank and Credit Card Fees			-	4,609		4,609
Direct Fundraising Expenses			-	85,025		85,025
Research Direct Expenses	9,359		9,359			9,359
Education-Other		24,181	24,181			24,181
Salaries and Wages	97,973	58,352	156,325	42,942	26,800	226,067
Payroll Taxes	4,972	4,972	9,944	4,756	2,594	17,294
Employee Benefits	6,923	4,149	11,072	3,968	2,165	17,205
Office Expenses	203		203	78	5,413	5,694
Depreciation			-		140	140
Insurance			-		1,412	1,412
Professional Fees			-		3,626	3,626
Outside Services	2,700		2,700	14,464		17,164
Postage	28	2,581	2,609	2,336	1,917	6,862
Printing		6,107	6,107	6,821	360	13,288
Registration Fees			-		1,415	1,415
Rent	3,140	3,140	6,280	3,003	1,638	10,921
Telephone	654	653	1,307	626	341	2,274
Travel	157		157	72	1,314	1,543
	<u>\$ 1,643,831</u>	<u>\$ 104,135</u>	<u>\$ 1,747,966</u>	<u>\$ 168,700</u>	<u>\$ 49,135</u>	<u>\$ 1,965,801</u>

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**FRAXA Research Foundation, Inc.**

Statement of Cash Flows ~ 12.31.09

***Cash Flows from Operating Activities***

Increase in Net Assets	\$ (351,594)
<i>Adjustments to Reconcile Net Income to Net Cash Provided by (Applied to) Operating Activities:</i>	
Depreciation	140
<i>(Increase) Decrease in Operating Assets</i>	
Accounts Receivable	(31,626)
Prepaid Expenses	40,416
Pledge Receivable ~ Long Term	(10,000)
Accounts Payable and Accrued Liabilities	6,843
Grants Payable	(20,000)
	<u>(14,367)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(365,821)</u>

***Cash Flows from Investing Activities***

Proceeds From Sale of Marketable Securities	702,239
Purchase of Marketable Securities	<u>(135,424)</u>
Net Cash Applied to Investing Activities	<u>566,815</u>
Net Increase (Decrease) in Cash and Cash Equivalents	200,994
Cash and Cash Equivalents, Beginning of the Year	<u>1,210,263</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 1,411,257</u></u>

***Supplemental Disclosure of Cash Flow Information:***

Cash Paid During the Year for Interest	<u><u>\$ -</u></u>
Income taxes Paid	<u><u>\$ -</u></u>
In-Kind Contributions	<u><u>\$ 26,551</u></u>

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**FRAXA Research Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended ~ 12.31.09**

<b>Summary of Significant Accounting Policies</b>
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➤ Organization and Nature of Activities

FRAXA Research Foundation was founded in 1994 by three parents of children affected with Fragile X. FRAXA's mission is to accelerate progress toward effective treatments and ultimately a cure for Fragile X, by directly funding the most promising research through grants and fellowships at universities all over the world.

➤ Cash and Cash Equivalents

All highly liquid investments, which have a maturity of three months or less at the time of purchase, are considered cash equivalents

➤ Fair Value of Financial Instruments

The fair value of the Foundation's financial instruments approximates their carrying value. Net appreciation in the fair value of investments, which consist of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. During 2009, the Foundation received donated stock for a total of 68 shares with a fair market value of \$10,632 at the date of contribution. The fair market value of these shares at December 31, 2009 is included in total investments at year end.

The following is a summary of Investments as of December 31, 2009:

Description	Cost	Fair Market Value	Unrealized Gain or (Loss)
Stock Cross Securities	\$ 347,846	\$ 316,866	(\$ 30,980)
Bank of NY Mellon Securities	<u>985,027</u>	<u>960,080</u>	<u>(\$ 24,947)</u>
	\$ 1,332,873	\$ 1,276,946	(\$ 55,927)
Add: Unrealized Losses at 12/31/08			<u>\$632,146</u>
Unrealized Gains Recognized at 12/31/09			<u>\$ 576,219</u>

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➤ Pledge Receivable

As of December 31, 2009, the Foundation has pledges receivable totaling \$15,000 from a donor to be paid in three installments of \$5,000 over the next three years.

Less than one year	\$ 5,000
2010 and thereafter	<u>\$10,000</u>
	\$15,000

➤ Operating Lease

In November 2005, the Foundation renewed its operating lease for office space in Newburyport, MA. The lease having no set expiration date provides for monthly payments of \$910 with an escalation of 3.5% each subsequent year. The escalation was waived for 2009 due to the downturn of the economy and rents will increase beginning January 1, 2010. Rent expense for 2009 was \$10,920. The minimum required lease payments are as follows for fiscal years ended December 31:

2010	\$11,280
2011	\$11,676
2012	\$12,084
2013	\$12,504
2014	\$12,936

➤ Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with SFAS 117 as promulgated by the AICPA. Accordingly, the net assets of FRAXA Research Foundation, Inc. and changes therein are classified and reported as follows:

Unrestricted Operating Net Assets – Net assets that are not subject to donor imposed stipulations.

Board Designated Net Assets - All funds over which the Board of Directors has discretionary control have been included in the unrestricted board designated net assets.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Assets subject to donor imposed stipulations that may be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes.

➤ Contributions Revenue Recognition

All contributions and net revenue from special events are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

➤ Allocation of Expenses

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the FRAXA Research Foundation, Inc. management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

➤ Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the depreciable property. Property and Equipment at December 31, 2009 consisted of office equipment with an acquired cost of \$5,558 and accumulated depreciation of \$5,476. Depreciation expense totaled \$140 at December 31, 2009.

➤ Donated Services

Donated services are recorded when there is an objective basis available to measure the value. The fair market value of the Google Ad words services in the amount of \$24,097 and an additional amount of \$2,454 for miscellaneous office products have been reflected in the financial statements as in-kind contributions during 2009. A substantial number of unpaid volunteers donated significant amounts of their time in the Society's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under Statement of Financial Accounting Standard No. 116, "Accounting for Contributions Received and Contributions Made", have not been satisfied.

➤ Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates or assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

<b>Other Notes</b>
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Temporarily Restricted Net Assets

Restricted net assets at year end were \$15,000; details regarding this balance are as follows:

As of December 31, 2009, temporarily restricted net assets consisted of donations for the funding of research for treatment and a cure for Fragile X. In 2009, various donors made contributions totaling \$35,000 to be used to fund research and an additional \$5,000 was contributed to be used for a scholarship for a student at Rush University working on Fragile X projects. In addition, another \$15,000 was pledged from the same donor for a scholarship for a student at Rush University working on Fragile X projects. This amount is to be received in \$5,000 installments over the next three years and is a receivable at December 31, 2009.

See Accountant's Report

<i>Program Activities:</i>	<i>Meeting Sponsors</i>	<i>Grant Research &amp; Scholarship</i>	<i>Total</i>
Temporary Restricted Net Assets 12/31/08	\$5,000		\$5,000
<i>2009 Donations:</i>			
Various Donors		40,000	40,000
Pledge Receivable		15,000	15,000
<b>Total 2009 Restricted Donations</b>	<b>5,000</b>	<b>55,000</b>	<b>60,000</b>
<b>Less: 2009 expenditures</b>	<b>(5,000)</b>	<b>(40,000)</b>	<b>(45,000)</b>
Temporary Restricted Net Assets 12/31/09	<u>\$0</u>	<u>\$15,000</u>	<u>\$15,000</u>

Net assets totaling \$45,000 were released from donor restrictions as of December 31, 2009. This included \$5,000 for meeting sponsorships and \$40,000 towards the funding of research for treatments and an ultimate cure for Fragile X. These expenses satisfied the purpose specified by the donors.

#### Advertising

Advertising costs are charged to operations as the expense is incurred.

#### Concentrations of Risk

The FRAXA Research Foundation, Inc maintains its cash balances in a financial institution in Massachusetts. The FDIC insures balances up to \$250,000 and all deposits above the FDIC limit are insured in full by the Depositors Insurance Fund (DIF). DIF is a private, industry-sponsored insurance fund that insures all deposits above Federal Deposit Insurance Corporation limits at Massachusetts chartered savings banks. At December 31, 2009, a substantial portion of the Foundation's cash equivalents were in the Institution for Savings and the Newburyport Five Cents Savings Bank in Newburyport, MA in the amounts of \$690,553 and \$287,337, respectively.

#### Related Party Transactions

There were no reportable related party transactions.

See Accountant's Report

### Income Taxes

The Foundation has been recognized as a not-for-profit organization under Internal Revenue Code Section 501c (3) and is exempt from income taxes.

### Subsequent Events

The Foundation mails their Annual Appeal Letter in December of each year. As of April 23, 2010, approximately \$100,000 has been received in response to the 2009 Annual Appeal. This amount is not considered to be a receivable at December 31, 2009 as the amount to be received is not known and is not easily determinable. The amounts are recorded by the Foundation when received.