

FRAXA Research Foundation, Inc

Financial Statements
Year ended 12.31.2012



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, 2012, 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, 2012, 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.

04.08.13

phone: 978 463-9350 ☆ fax: 978 462-2109 ☆ e-mail: contact@cpa-services.com

Visit us on the Internet at www.cpa-services.com & www.artstaxinfo.com

FRAXA Research Foundation, Inc.

Statement of Financial Position ~ 12.31.12

<i>Assets</i>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,071,206
Investments	1,166,972
<i>Total Cash and Cash Equivalents</i>	<u>2,238,178</u>
 Pledge Receivable ~ Short Term	272,500
Accounts Receivable	108,642
<i>Total Current Assets</i>	<u>2,619,320</u>
 <i>Equipment and Property, at Cost:</i>	
Equipment	5,558
Less - Accumulated Depreciation	5,558
<i>Net Equipment and Property</i>	<u>-</u>
 <i>Other Assets:</i>	
Prepaid Expenses	<u>57,750</u>
 Total Assets	<u><u>\$ 2,677,070</u></u>
 <i>Liabilities and Net Assets</i>	
<i>Current Liabilities:</i>	
Grants Payable	\$ 54,287
Deferred Revenue	60,553
Accrued Expenses	14,981
<i>Total Current Liabilities</i>	<u>129,821</u>
 <i>Net Assets:</i>	
Unrestricted Net Assets	2,274,499
Temporarily Restricted Net Assets	272,750
Permanently Restricted Net Assets	-
<i>Total Net Assets</i>	<u>2,547,249</u>
 Total Liabilities and Net Assets	<u><u>\$ 2,677,070</u></u>

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

FRAXA Research Foundation, Inc.

Statement of Activities ~ Year Ended 12.31.12

	Temporarily		
	Unrestricted	Restricted	Total
<i>Revenues and Public Support</i>			
Contributions	\$ 701,376	\$ 626,250	\$ 1,327,626
In-Kind Contributions-Web Techno	63,317		63,317
Product Sales	3,638		3,638
Scientific Research Royalties	1,649		1,649
Realized Gain on Investments	17,964		17,964
Unrealized Gain on Investments	63,568		63,568
Fundraising Events	268,814		268,814
Less: Direct Donor Costs	(24,933)		(24,933)
<i>Total Revenues and Public Support</i>	<u>1,095,393</u>	<u>626,250</u>	<u>1,721,643</u>
Allocated Investment Income	38,651		38,651
	<u>1,134,044</u>	<u>626,250</u>	<u>1,760,294</u>
<i>Net Assets Released from Restrictions</i>			
Satisfaction of Program Restrictions	353,500	(353,500)	-
	<u>353,500</u>	<u>(353,500)</u>	<u>-</u>
<i>Total Revenues and Public Support</i>	<u>1,487,544</u>	<u>272,750</u>	<u>1,760,294</u>
<i>Expenses</i>			
Program Services- Research	1,645,339	-	1,645,339
Program Services - Education	129,150		129,150
Fundraising	82,255	-	82,255
Administration	58,521	-	58,521
	<u>1,915,265</u>	<u>-</u>	<u>1,915,265</u>
<i>Net Change in Net Assets</i>	<u>(427,721)</u>	<u>272,750</u>	<u>(154,971)</u>
Net Assets, Beginning of the Year	<u>2,702,220</u>	<u>-</u>	<u>2,702,220</u>
Net Assets, End of the Year	<u>\$ 2,274,499</u>	<u>\$ 272,750</u>	<u>\$ 2,547,249</u>

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

FRAXA Research Foundation, Inc.

Statement of Functional Expenses ~ Year Ended 12.31.12

			<i>Total</i>			<i>Total</i>
	Research	Education	<i>Program Services</i>	Fundraising	Administration	<i>Functional Expenses</i>
Bank and Credit Card Fees	\$ 330		\$ 330	\$ 2,114	\$ 49	\$ 2,493
Direct Fundraising Expenses				20,775		20,775
Education		1,187	1,187			1,187
Employee Benefits	6,413	6,157	12,570	5,131	2,822	20,523
Grants	1,509,886		1,509,886			1,509,886
In-Kind Expense-Education		7,089	7,089			7,089
In-Kind Expense-Office		1,228	1,228	409		1,637
In-Kind Expense-Web Technology	3,000	43,591	46,591	4,000	4,000	54,591
Insurance					3,138	3,138
Investment Fees					8,994	8,994
Office Expenses		86	86		2,156	2,242
Payroll Taxes	5,449	5,231	10,680	4,359	2,397	17,436
Postage	320	849	1,169	2,752	1,052	4,973
Printing		499	499	4,401		4,900
Professional Fees					5,060	5,060
Registration Fees					1,968	1,968
Rent	3,109	2,985	6,094	2,488	1,368	9,950
Research Direct Expenses	6,860		6,860			6,860
Salaries and Wages	109,408	58,607	168,015	34,936	24,962	227,913
Telephone	524	503	1,027	419	231	1,677
Travel	40	1,138	1,178	471	176	1,825
Web Technology					148	148
	<u>\$ 1,645,339</u>	<u>\$ 129,150</u>	<u>\$ 1,774,489</u>	<u>\$ 82,255</u>	<u>\$ 58,521</u>	<u>\$ 1,915,265</u>

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

FRAXA Research Foundation, Inc.

Statement of Cash Flows ~ 12.31.12

Cash Flows from Operating Activities

Increase in Net Assets	\$ (154,971)
<i>Adjustments to Reconcile Net Income to Net Cash Provided by (Applied to) Operating Activities:</i>	
Depreciation	-
<i>(Increase) Decrease in Operating Assets</i>	
Accounts Receivable	8,451
Pledge Receivable ~ Short Term	(272,500)
Prepaid Expenses	(55,390)
<i>Increase (Decrease) in Operating Assets</i>	
Deferred Revenue	60,553
Accounts Payable and Accrued Liabilities	608
Grants Payable	(72,713)
	<u>(330,991)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(485,962)</u>

Cash Flows from Investing Activities

Proceeds From Sale of Marketable Securities	603,267
Purchase of Marketable Securities	<u>(564,009)</u>
Net Cash Applied to Investing Activities	<u>39,258</u>
Net Increase (Decrease) in Cash and Cash Equivalent:	(446,704)
Cash and Cash Equivalents, Beginning of the Year	<u>1,525,895</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 1,079,191</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>\$ 63,317</u></u>

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

FRAXA Research Foundation, Inc.
Notes to Financial Statements
Year Ended ~ 12.31.112

Summary of Significant Accounting Policies

➤ 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.

➤ Investments

The Foundation has adopted the professional statements of Accounting for Certain Investments Held by *Not-For-Profit Organizations*, which states investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market in the statements of financial position. 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 2012, the Foundation received donated stock for a total of 306 shares with a fair market value of \$397,597 at the date of contribution. The fair market value of these shares at December 31, 2012 is included in total investments at year end. The following is a summary of Investments as of December 31, 2012:

Description	Cost	Fair Market Value	Gross Unrealized Gain or (Loss)
Stock Cross Securities	\$ 51,755	\$ 37,519	(\$14,236)
Bank of NY Mellon Securities	<u>1,106,134</u>	<u>1,129,453</u>	<u>\$ 23,319</u>
	\$1,157,889	\$ 1,166,972	\$ 9,083

See Independent Accountant's Report

➤ Fair Value Measurements

The Foundation adopted the methods of calculating fair value in accordance with codification topic 820 (FASB ASC 820), Fair Value Measurements, (formerly known as SFAS No. 157). The topic defines fair value, establishes a consistent framework for measuring fair value, and expands the related disclosure requirements.

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the framework provides a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy prioritizes the inputs into three levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar asset in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty risk in its assessment of fair value. The Foundation's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and Cash Equivalents	\$1,071,206	\$1,071,206	\$0	\$0
Stock Cross Securities	37,519	37,519	\$0	\$0
BNY Mellon Investments	<u>1,129,453</u>	<u>1,129,453</u>		
Total	\$2,238,178	\$ 2,238,178	\$0	\$0

➤ Pledge Receivable

As of December 31, 2012, the Foundation has pledges receivable totaling \$272,500. This amount is to be received in its entirety during the year 2013.

➤ Grants Payable

As of December 31, 2012, the Foundation has grants payable totaling \$54,287. This amount represents half of the total amount awarded and will be paid by the Foundation during the second half of the award year (during 2013).

➤ Operating Lease

In June 2012, the Foundation entered into a new operating lease for office space in Newburyport, MA. The lease is for a two year term having an expiration date of May 31, 2014 and provides for monthly payments of \$775. Rent expense for 2012 was \$9,950. The minimum required lease payments are as follows for fiscal years ended December 31:

2013	\$8,700
2014	\$3,625

➤ 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

See Independent Accountant's Report

in accordance with FASB ASC 958, "Financial Statements of Not-for Profit Organizations." 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 – Net 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

See Independent Accountant's Report

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, 2012 consisted of office equipment with an acquired cost of \$5,558 and accumulated depreciation of \$5,558. Depreciation expense totaled \$0 at December 31, 2012.

➤ 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 \$39,591 and an additional amount of \$15,000 which is the value of the licenses donated to Fraxa from Salesforce.com Foundation have been reflected in the financial statements as in-kind contributions during 2012. Additional donated services in the amount of \$8,726 have been reflected as in-kind contributions as well. 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, "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.

Other Notes

Temporarily Restricted Net Assets

Restricted net assets at year end were \$272,750; details regarding this balance are as follows:

See Independent Accountant's Report

As of December 31, 2012, temporarily restricted net assets consisted of donations for the funding of research for treatment and a cure for Fragile X. In 2012, donor contributions were received totaling \$626,250 to be used to fund research for Fragile X projects.

<i>Program Activities:</i>	<i>Grant Research & Scholarship</i>	<i>Total</i>
Temporary Restricted Net Assets 12/31/11	\$0	\$0
<i>2012 Donations:</i>		
Various Donors	626,250	626,250
Total 2012 Restricted Donations	626,250	626,250
Less: 2012 expenditures	(353,500)	(353,500)
Temporary Restricted Net Assets 12/31/12	<u>\$272,750</u>	<u>\$272,750</u>

Net assets totaling \$353,500 were released from donor restrictions as of December 31, 2012. This amount went 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

See Independent Accountant's Report

deposits above Federal Deposit Insurance Corporation limits at Massachusetts chartered savings banks.

In addition, all funds in a “non-interest-bearing transaction account” are insured in full by the Federal Deposit Insurance Corporation from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC’s general deposit insurance rules. At December 31, 2012, a substantial portion of the Foundation’s cash equivalents were in the Institution for Savings, the Provident Bank and the Newburyport Five Cents Savings Bank in Massachusetts in the amounts of \$344,646, \$152,118 and \$295,905, respectively.

Related Party Transactions

There were no reportable related party transactions.

Accounting for 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. The Foundation is subject to a tax on income from any unrelated business.

The Foundation has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles (formerly known as FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”), with no cumulative effect adjustment. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Foundation’s financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2011.

Subsequent Events

Subsequent events have been evaluated through April 8, 2013, which is the date the financial statements were available to be issued.

The Foundation mails their Annual Appeal Letter in November of each year. As of April 8, 2013, approximately \$117,000 has been received after December 31, 2012 in response to the Annual Appeal. This amount is not considered to be a receivable at December 31, 2012 as the amount to be received is not known and is not easily determinable. The amounts are recorded by the Foundation when received.