



NATIONAL FRAGILE X FOUNDATION

# NATIONAL FRAGILE X FOUNDATION

## Financial Statements

*For the Years Ended*

*December 31, 2012 and 2011*

*With Independent Auditors' Report*

# NATIONAL FRAGILE X FOUNDATION

(A California Not-For-Profit Corporation)  
December 31, 2012

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### **NATIONAL FRAGILE X FOUNDATION**

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**INDEPENDENT AUDITORS' REPORT**

**The Board of Directors**  
**National Fragile X Foundation**

We have audited the accompanying statement of financial position of National Fragile X Foundation (a non-profit corporation) as of December 31, 2012 and 2011 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of National Fragile X Foundation management. Our responsibility is to express an opinion on these financial statements based on our audits. The summarized information for the prior year on the statement of financial position, statement of activities and changes in net assets, and statement of functional expenses was derived from National Fragile X Foundation's December 31, 2011 financial statements. In our report dated March 16, 2012, 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 National Fragile X Foundation as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America.

*Danville, California*  
*March 14, 2013*

*Regalia & Associates*

# THE NATIONAL FRAGILE X FOUNDATION

## Statement of Financial Position December 31, 2012

*(with Summarized Financial Information for the Year Ended December 31, 2011)*

	Unrestricted Net Assets	Temporarily Restricted Net Assets	2012 Total	2011 Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 363,877	132,774	<b>496,651</b>	549,366
Investments	1,424	-	<b>1,424</b>	1,064
Program and accounts receivable	103,937	-	<b>103,937</b>	109,726
Prepaid expenses and inventory	19,871	-	<b>19,871</b>	7,257
Total current assets	<u>489,109</u>	<u>132,774</u>	<b>621,883</b>	<u>667,413</u>
Noncurrent assets:				
Property and equipment	71,536	-	<b>71,536</b>	68,541
Accumulated depreciation	(42,635)	-	<b>(42,635)</b>	(29,286)
Security deposit	2,500	-	<b>2,500</b>	2,500
Total noncurrent assets	<u>31,401</u>	<u>-</u>	<b>31,401</b>	<u>41,755</u>
	<u>\$ 520,510</u>	<u>132,774</u>	<b>653,284</b>	<u>709,168</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable and accruals	\$ 25,138	-	<b>25,138</b>	90,115
Deferred revenue	40,000	-	<b>40,000</b>	-
Managed funds	90,612	-	<b>90,612</b>	91,283
Grants payable	50,000	-	<b>50,000</b>	37,500
Total liabilities	<u>205,750</u>	<u>-</u>	<b>205,750</b>	<u>218,898</u>
Net assets:				
Unrestricted:				
Board-designated reserves	239,698	-	<b>239,698</b>	152,878
Undesignated	75,062	-	<b>75,062</b>	125,606
Temporarily restricted	-	132,774	<b>132,774</b>	211,786
Total net assets	<u>314,760</u>	<u>132,774</u>	<b>447,534</b>	<u>490,270</u>
	<u>\$ 520,510</u>	<u>132,774</u>	<b>653,284</b>	<u>709,168</u>

**See accompanying auditors' report and notes to financial statements.**

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**THE NATIONAL FRAGILE X FOUNDATION**

**Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2012**

*(with Summarized Financial Information for the Year Ended December 31, 2011)*

<i>Changes in net assets:</i>	<b>Unrestricted Net Assets</b>	<b>Temporarily Restricted Net Assets</b>	<b>2012 Total</b>	<b>2011 Total</b>
Revenue and support:				
<i>Contributed income:</i>				
Individual contributions	\$ 464,303	30,443	<b>494,746</b>	484,899
Corporate contributions	35,000	-	<b>35,000</b>	44,450
Foundation contributions	353,011	51,809	<b>404,820</b>	401,434
Conferences and other events	685,221	33,000	<b>718,221</b>	302,971
In-kind and other donations	-	-	-	17,027
Net assets released from restrictions	194,264	(194,264)	-	-
Total contributed income	<b>1,731,799</b>	<b>(79,012)</b>	<b>1,652,787</b>	<b>1,250,781</b>
Program revenue:				
Memberships	9,526	-	<b>9,526</b>	15,620
Fees for service	25,020	-	<b>25,020</b>	1,621
Educational sales	-	-	-	835
Other	1,368	-	<b>1,368</b>	10,299
Total program revenue	<b>35,914</b>	<b>-</b>	<b>35,914</b>	<b>28,375</b>
Realized investment gains	401	-	<b>401</b>	43
Interest and dividends	589	-	<b>589</b>	884
Total revenue and support	<b>1,768,703</b>	<b>(79,012)</b>	<b>1,689,691</b>	<b>1,280,083</b>
Expenses:				
Programs and activities	1,401,988	-	<b>1,401,988</b>	878,072
Fundraising	105,256	-	<b>105,256</b>	101,397
Management and general	225,183	-	<b>225,183</b>	154,990
Total expenses	<b>1,732,427</b>	<b>-</b>	<b>1,732,427</b>	<b>1,134,459</b>
Increase (decrease) in net assets	36,276	(79,012)	<b>(42,736)</b>	145,624
Net assets at beginning of year	278,484	211,786	<b>490,270</b>	344,646
Net assets at end of year	<b>\$ 314,760</b>	<b>132,774</b>	<b>447,534</b>	<b>490,270</b>

**THE NATIONAL FRAGILE X FOUNDATION**

**Statements of Cash Flows  
For the Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (42,736)	145,624
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	13,349	7,868
Changes in:		
Program and accounts receivable	5,789	(60,240)
Prepaid expenses and inventory	(12,614)	7,789
Security deposit	-	(400)
Accounts payable and accruals	(64,977)	51,801
Deferred revenue	40,000	-
Managed funds	(671)	43,244
Grants payable	12,500	(93,750)
 Cash provided by (used for) operating activities	 <b>(49,761)</b>	 <b>101,893</b>
<i>Investing activities:</i>		
Net proceeds from disposition of investments	41	465
Additions to property and equipment	(2,995)	(27,886)
 Cash used for investing activities	 <b>(2,954)</b>	 <b>(27,421)</b>
 Increase (decrease) in cash and cash equivalents	 <b>(52,715)</b>	 74,472
Cash and cash equivalents at beginning of year	<b>549,366</b>	474,894
 Cash and cash equivalents at end of year	 <b>\$ 496,651</b>	 549,366
<i>Additional cash flow information:</i>		
 Taxes paid	 \$ 150	 150
 Interest paid	 \$ -	 -

**THE NATIONAL FRAGILE X FOUNDATION**

**Statement of Functional Expenses  
For the Year Ended December 31, 2012**

*(with Summarized Financial Information for the Year Ended December 31, 2011)*

	Programs and Activities		Fundraising	Manage- ment and General	<b>Totals Year Ended Dec. 31 2012</b>	<b>Totals Year Ended Dec. 31 2011</b>
Bank and credit card fees	\$	-	-	12,455	<b>12,455</b>	8,197
Conferences		496,830	-	-	<b>496,830</b>	57,269
Depreciation		-	-	13,349	<b>13,349</b>	7,868
Educational materials		-	-	-	<b>-</b>	3,211
Equipment rental and repairs		-	-	1,348	<b>1,348</b>	845
Fundraising and marketing		-	52,876	-	<b>52,876</b>	49,311
Grants, awards and research expenses		133,065	-	-	<b>133,065</b>	19,053
Insurance		8,220	514	1,541	<b>10,275</b>	9,889
Miscellaneous		4,286	-	3,064	<b>7,350</b>	9,867
Outside and professional fees		244,608	20,758	69,512	<b>334,878</b>	341,341
Postage and shipping		424	1,275	7,227	<b>8,926</b>	14,307
Printing and reproduction		35,048	-	10,269	<b>45,317</b>	49,017
Program projects		-	-	-	<b>-</b>	25,362
Rent		22,723	1,420	4,261	<b>28,404</b>	28,404
Salaries, taxes and related benefits		427,197	26,700	80,099	<b>533,996</b>	445,650
Software licenses and maintenance		4,021	-	-	<b>4,021</b>	16,603
Supplies and office		4,281	-	7,157	<b>11,438</b>	9,262
Telephone, internet and technology		204	1,713	9,705	<b>11,622</b>	13,865
Travel, meals and entertainment		21,081	-	5,196	<b>26,277</b>	25,138
<b>Totals</b>	<b>\$</b>	<b>1,401,988</b>	<b>105,256</b>	<b>225,183</b>	<b>1,732,427</b>	<b>1,134,459</b>

**Notes to Financial Statements**  
**December 31, 2012**

**1. Organization**

National Fragile X Foundation (“National Fragile X”) was created and incorporated in 2001 as a California tax-exempt, non-profit public benefit corporation. National Fragile X unites the Fragile X community to enrich lives through educational and emotional support, promote public and professional awareness, and advance research toward improved treatments and a cure for Fragile X. Fragile X is a family of genetic conditions which can impact individuals and families in various ways. These genetic conditions are related in that they are all caused by changes in the same DNA material known as the FMR1 gene.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of National Fragile X have been prepared on the accrual basis of accounting in accordance with the Financial Accounting Standards in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*.

*Basis of Presentation*

Financial statement presentation follows the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Under ASC 958.605, National Fragile X 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.

*Use of Estimates*

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

*Fair Value of Financial Instruments*

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate carrying values of such amounts.

*Cash and Cash Equivalents*

National Fragile X considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. National Fragile X maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. National Fragile X has not experienced any losses in such accounts.



Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

*Investments*

Investments consist of temporary positions in various instruments, including cash equivalents, stocks, and mutual funds. Investments received by gift are recorded at market value at the date of contribution. National Fragile X follows the provisions of ASC 958.320, *Investments – Debt and Equity Securities of Not-for-Profit Entities*, and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that National Fragile X could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2012.

*Property and Equipment*

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment greater than \$1,500 is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

*Net Assets*

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

National Fragile X reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. National Fragile X had no permanently restricted net assets as of December 31, 2012 and 2011.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board.

**Notes to Financial Statements**

**2. Summary of Significant Accounting Policies** *(continued)*

*Revenue and Support Recognition*

Revenues from restricted grants and donations are recognized as income in the temporarily restricted fund in the period in which received and then transferred to unrestricted net assets when donor conditions are met and grant proceeds are considered earned. Grants which require the completion of certain feedback (and/or other reporting) as a precondition to funding are not recorded in the financial statements because, in the opinion of management, such funds are not “earned” until the final approval is obtained from the donor funding source.

*Contributions*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted net assets. National Fragile X reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor’s intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions in which the donor restrictions are never relieved are recorded as permanently restricted support. National Fragile X had no permanently restricted net assets of as December 31, 2012 and 2011. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Donated property is recorded at the estimated fair value at the date of receipt. National Fragile X reports gifts of property as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, National Fragile X reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

*Contributed Services and Costs*

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

National Fragile X recognized \$17,027 of in-kind contributions during the year ended December 31, 2011. There were no in-kind contributions for the year ended December 31, 2012.

**Notes to Financial Statements**

**2. Summary of Significant Accounting Policies** *(continued)*

*Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, National Fragile X is required to report information regarding its exposure to various tax positions taken by National Fragile X and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that National Fragile X has adequately evaluated its current tax positions and has concluded that as of December 31, 2012, National Fragile X does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

National Fragile X has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that National Fragile X continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. National Fragile X may periodically receive unrelated business income (such as sublease rental income or advertising revenue) requiring National Fragile X to file separate tax returns under federal and state statutes. Under such conditions, National Fragile X calculates and accrues the applicable taxes.

**3. Cash and Cash Equivalents**

Cash and cash equivalents of \$496,651 and \$549,366 at December 31, 2012 and 2011, respectively, include all funds in banks (checking, savings, and money market) at the time of purchase that have a maturity date of 90 days or less. With the exception of \$178,541 in commercial checking accounts, National Fragile X maintains its cash balances in interest-earning accounts at December 31, 2012, generally at rates ranging up to 0.20%. National Fragile X attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing accounts at highly rated financial institutions.

**4. Investments**

Investments of \$1,424 and \$1,064 at December 31, 2012 and 2011, respectively, consist of funds managed by Wells Fargo Advisors and are generally invested in corporate equity securities. Accordingly, the recorded amounts of all investments are adjusted to reflect realized and unrealized gains and losses. Realized investment gains for the years ended December 31, 2012 and 2011 amounted to \$401 and \$43, respectively. Investments consist of the following at December 31, 2012 and 2011:

	December 31, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Corporate equity securities	\$ 1,424	1,424	1,064	1,064

*continued*

**Notes to Financial Statements**

**4. Investments** *(continued)*

During the years ended December 31, 2012 and 2011, earnings on investments were reinvested. Investments are recorded at cost when purchased. Investments received by gift are recorded at market value at the date of contribution. Realized and unrealized gains and losses are reflected on the statement of activities and changes in net assets. Composition of investments utilizing fair value measurements at December 31, 2012 is as follows:

	<b>Totals</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Corporate equity securities	\$ 1,424	1,424	-	-

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. National Fragile X had no investments classified as Level 2 or Level 3 at December 31, 2012.

**5. Property and Equipment**

A summary of property and equipment is as follows at December 31, 2012 and 2011:

	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
Office equipment	\$ 52,636	49,641
Software and website	18,900	18,900
Subtotal	71,536	68,541
Less accumulated depreciation	(42,635)	(29,286)
Total property, equipment and improvements (net)	\$ 28,901	39,255

Total depreciation expense for the years ended December 31, 2012 and 2011 amounted to \$13,349 and \$7,868, respectively, and is reflected on the statement of functional expenses. During the year ended December 31, 2011, National Fragile X disposed of fully-depreciated property with an original cost basis of \$30,961. There were no disposals during the year ended December 31, 2012.

**6. Managed Funds**

Managed funds of \$90,612 and \$91,283 at December 31, 2012 and 2011, respectively, represent amounts for which National Fragile X acts as a fiscal agent. Under the provisions of ASC 958.20.25, managed funds are considered to be agency transactions and thus reflected as a liability on the statement of financial position.

# NATIONAL FRAGILE X FOUNDATION

## Notes to Financial Statements

### 7. Net Assets

Activity in net assets for the years ended December 31, 2012 and 2011 is as follows:

	Dec. 31, 2012	Dec. 31, 2011
<i>Unrestricted Net Assets [undesignated]:</i>		
Beginning balance	\$ 125,606	54,712
Increase in unrestricted net assets	36,276	76,738
Transferred to Board-designated reserves	(86,820)	(5,844)
Ending balance - Undesignated	<u>\$ 75,062</u>	<u>125,606</u>
<i>Temporarily Restricted Net Assets:</i>		
Beginning balance	\$ 211,786	142,900
Additions	115,252	136,972
Released from restrictions	(194,264)	(68,086)
Ending balance - Temporarily Restricted	<u>\$ 132,774</u>	<u>211,786</u>

### 8. Lease Commitments

National Fragile X leases its corporate office space under an operating lease expiring January 31, 2014. The office lease stipulates a rental payment of \$2,367 per month. National Fragile X is responsible for its proportionate share of building, maintenance and operating expenses which includes property taxes, insurance and utilities. National Fragile X also leases certain office equipment under a multi-year operating lease.

Total rent expense for office space and the equipment leases for the years ended December 31, 2012 and 2011 amounted to \$29,752 and \$29,248, respectively. Minimum annual payments on all operating leases extending beyond one year are as follows: Year ending December 31, 2013 : \$29,004; Year ending December 31, 2014 : \$2,967; and Year ending December 31, 2015 : \$300.

### 9. Line of Credit

National Fragile X has a revolving line of credit with a bank with an available balance of \$100,000. When utilized, the loan bears interest at a specific margin above the bank's prime rate of interest. The line was not utilized during the years ended December 31, 2012 and 2011, and there was no amount outstanding at December 31, 2012 and 2011.

### 10. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, National Fragile X has evaluated subsequent events through March 14, 2013, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.