



NATIONAL FRAGILE X FOUNDATION

NATIONAL FRAGILE X FOUNDATION

Financial Statements

For the Years Ended

December 31, 2013 and 2012

With Independent Auditors' Report

NATIONAL FRAGILE X FOUNDATION

(A California Not-For-Profit Corporation)
December 31, 2013

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NATIONAL FRAGILE X FOUNDATION

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REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of National Fragile X Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013 and 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's 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 auditor's 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 National Fragile X Foundation as of December 31, 2013 and 2012 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.

Other Matters

We have previously audited National Fragile X Foundation's December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Danville, California
March 17, 2014**

Regalia & Associates

THE NATIONAL FRAGILE X FOUNDATION

Statement of Financial Position

December 31, 2013

(with Summarized Financial Information as of December 31, 2012)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	2013 Total	2012 Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 362,133	\$ 215,399	\$ 577,532	\$ 496,651
Investments	-	-	-	1,424
Program and accounts receivable	46,943	-	46,943	103,937
Prepaid expenses and inventory	23,388	-	23,388	19,871
Total current assets	432,464	215,399	647,863	621,883
Noncurrent assets:				
Property and equipment	71,536	-	71,536	71,536
Accumulated depreciation	(53,130)	-	(53,130)	(42,635)
Security deposit	2,500	-	2,500	2,500
Total noncurrent assets	20,906	-	20,906	31,401
	\$ 453,370	\$ 215,399	\$ 668,769	\$ 653,284
<u>LIABILITIES AND NET ASSETS</u>				
Accounts payable and accruals	\$ 43,506	\$ -	\$ 43,506	\$ 25,138
Deferred revenue	-	-	-	40,000
Managed funds	175,681	-	175,681	90,612
Grants payable	-	-	-	50,000
Total liabilities	219,187	-	219,187	205,750
Net assets:				
Unrestricted:				
Board-designated reserves	192,878	-	192,878	239,698
Undesignated	41,305	-	41,305	75,062
Temporarily restricted	-	215,399	215,399	132,774
Total net assets	234,183	215,399	449,582	447,534
	\$ 453,370	\$ 215,399	\$ 668,769	\$ 653,284

THE NATIONAL FRAGILE X FOUNDATION

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2013

(with Summarized Financial Information for the Year Ended December 31, 2012)

<i>Changes in net assets:</i>	Unrestricted Net Assets	Temporarily Restricted Net Assets	2013 Total	2012 Total
Revenue and support:				
<i>Contributed income:</i>				
Individual contributions	\$ 584,562	\$ 16,170	\$ 600,732	\$ 494,746
Corporate contributions	25,000	68,312	93,312	35,000
Foundation contributions	491,778	77,050	568,828	404,820
Conferences and other events	90,359	11,034	101,393	718,221
In-kind and other donations	4,407	-	4,407	-
Net assets released from restrictions	89,941	(89,941)	-	-
Total contributed income	1,286,047	82,625	1,368,672	1,652,787
 Program revenue:				
Memberships	24,733	-	24,733	9,526
Fees for service	9,790	-	9,790	25,020
Other	-	-	-	1,368
Total program revenue	34,523	-	34,523	35,914
 Realized investment gains				
Realized investment gains	1,064	-	1,064	401
Interest and dividends	570	-	570	589
Total revenue and support	1,322,204	82,625	1,404,829	1,689,691
 Expenses:				
Programs and activities	1,111,027	-	1,111,027	1,401,988
Fundraising	103,774	-	103,774	105,256
Management and general	187,980	-	187,980	225,183
Total expenses	1,402,781	-	1,402,781	1,732,427
 Increase (decrease) in net assets				
Increase (decrease) in net assets	(80,577)	82,625	2,048	(42,736)
Net assets at beginning of year	314,760	132,774	447,534	490,270
Net assets at end of year	\$ 234,183	\$ 215,399	\$ 449,582	\$ 447,534

THE NATIONAL FRAGILE X FOUNDATION

**Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012**

	2013	2012
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 2,048	\$ (42,736)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	10,495	13,349
Unrealized losses on investments	(1,064)	(401)
Changes in:		
Program and accounts receivable	56,994	5,789
Prepaid expenses and inventory	(3,517)	(12,614)
Accounts payable and accruals	18,368	(64,977)
Deferred revenue	(40,000)	40,000
Managed funds	85,069	(671)
Grants payable	(50,000)	12,500
 Cash provided by (used for) operating activities	 78,393	 (49,761)
<i>Investing activities:</i>		
Net proceeds from disposition of investments	2,488	41
Additions to property and equipment	-	(2,995)
 Cash provided by (used for) investing activities	 2,488	 (2,954)
 Increase (decrease) in cash and cash equivalents	 80,881	 (52,715)
Cash and cash equivalents at beginning of year	496,651	549,366
 Cash and cash equivalents at end of year	 \$ 577,532	 \$ 496,651
<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, 2013**

(with Summarized Financial Information for the Year Ended December 31, 2012)

	Programs and Activities		Fundraising	Manage- ment and General	Totals Year Ended Dec. 31 2013	Totals Year Ended Dec. 31 2012
Bank and credit card fees	\$ -	\$ -	\$ -	\$ 7,916	\$ 7,916	\$ 12,455
Conferences	66,852	-	-	-	66,852	496,830
Depreciation	-	-	-	10,495	10,495	13,349
Equipment rental and repairs	-	-	-	1,327	1,327	1,348
Fundraising and marketing	-	54,267	-	-	54,267	52,876
Grants, awards and research expenses	17,315	-	-	-	17,315	133,065
Insurance	8,093	506	-	1,517	10,116	10,275
Miscellaneous	4,368	-	-	4,436	8,804	7,350
Outside and professional fees	478,969	20,609	-	57,648	557,226	334,878
Postage and shipping	8,419	526	-	1,578	10,523	8,926
Printing and reproduction	8,726	-	-	5,226	13,952	45,317
Program projects	38,625	-	-	-	38,625	-
Rent	22,723	1,420	-	4,261	28,404	28,404
Salaries, taxes and related benefits	405,756	25,360	-	76,079	507,195	533,996
Software licenses and maintenance	8,419	-	-	-	8,419	4,021
Supplies and office	7,987	499	-	1,498	9,984	11,438
Telephone, internet and technology	9,390	587	-	1,761	11,738	11,622
Travel, meals and entertainment	25,385	-	-	14,238	39,623	26,277
Totals	\$ 1,111,027	\$ 103,774	\$ 187,980	\$ 1,402,781	\$1,732,427	

Notes to Financial Statements
December 31, 2013

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, 2013.

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, 2013 and 2012.

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, 2013 and 2012. 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 \$4,407 of in-kind contributions during the year ended December 31, 2013. 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, 2013, 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 \$577,532 and \$496,651 at December 31, 2013 and 2012, 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 \$258,258 in noninterest-bearing commercial checking accounts, National Fragile X maintains its cash balances in interest-earning accounts at December 31, 2013, generally at rates ranging up to 0.10% per annum. National Fragile X attempts to limit its credit risk associated with cash equivalents by utilizing accounts at highly rated financial institutions.

4. Investments

Investments of \$1,424 at December 31, 2012 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, 2013 and 2012 amounted to \$1,064 and \$401, respectively. *continued*

NATIONAL FRAGILE X FOUNDATION

Notes to Financial Statements

4. Investments *(continued)*

Investments consist of the following at December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Corporate equity securities	\$ -	\$ -	\$ 1,064	\$ 1,064

During the year ended December 31, 2012, earnings on investments were reinvested.

5. Property and Equipment

A summary of property and equipment is as follows at December 31, 2013 and 2012:

	Dec. 31, 2013	Dec. 31, 2012
Office equipment	\$ 52,636	\$ 52,636
Software and website	18,900	18,900
Subtotal	71,536	71,536
Less accumulated depreciation	(53,130)	(42,635)
Total property, equipment and improvements (net)	\$ 18,406	\$ 28,901

Total depreciation expense for the years ended December 31, 2013 and 2012 amounted to \$10,495 and \$13,349, respectively, and is reflected on the statement of functional expenses.

6. Managed Funds

Managed funds of \$175,681 and \$90,612 at December 31, 2013 and 2012, 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.

7. 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, 2013 and 2012, and there was no amount outstanding at December 31, 2013 and 2012.

Notes to Financial Statements

8. Net Assets

Activity in net assets for the years ended December 31, 2013 and 2012 is as follows:

	Dec. 31, 2013	Dec. 31, 2012
<i>Unrestricted Net Assets [undesignated]:</i>		
Beginning balance	\$ 75,062	\$ 125,606
Increase (decrease) in unrestricted net assets	(80,577)	36,276
Transferred from (to) Board-designated reserves	46,820	(86,820)
Ending balance - Undesignated	\$ 41,305	\$ 75,062
 <i>Temporarily Restricted Net Assets:</i>		
Beginning balance	\$ 132,774	\$ 211,786
Additions	172,566	115,252
Released from restrictions	(89,941)	(194,264)
Ending balance - Temporarily Restricted	\$ 215,399	\$ 132,774

9. Lease Commitments

National Fragile X leases its corporate office space under an operating lease expiring January 31, 2015. 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, 2013 and 2012 amounted to \$29,731 and \$29,752, respectively. Minimum annual payments on all operating leases extending beyond one year are as follows: Year ending December 31, 2014 : \$29,004; and Year ending December 31, 2015 : \$2,967.

10. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, National Fragile X has evaluated subsequent events through March 17, 2014, 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.