

NATIONAL FRAGILE X FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018



NATIONAL FRAGILE X FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
National Fragile X Foundation

We have audited the accompanying 2018 financial statements of National Fragile X Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2018, the related statements of activities, functional expenses and cash flows for the year 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 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 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 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, 2018, 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.

Prior Period Financial Statements

The statement of financial position of National Fragile X Foundation as of December 31, 2017, was audited by other auditors whose report dated June 12, 2018, expressed an unmodified opinion on the Foundation's complete 2017 financial statements. As discussed in Note 12, the Foundation restated its net assets as of December 31, 2017 to correct errors made in previous calculations. The other auditors reported on the 2017 financial statements prior to restatement.

CalibreCPAGroup, PLLC

Bethesda, MD
May 3, 2019

NATIONAL FRAGILE X FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	(Restated) 2017
ASSETS		
Cash and cash equivalents	\$ 780,477	\$ 776,860
Accounts receivable	74,641	31,341
Pledges receivable, net	320,732	392,596
Prepaid expenses	15,705	10,831
Property and equipment, net	<u>51,965</u>	<u>15,398</u>
Total assets	<u><u>\$ 1,243,520</u></u>	<u><u>\$ 1,227,026</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 103,124	\$ 102,739
Held for affiliates	7,943	17,033
Deferred revenue	<u>1,050</u>	<u>14,945</u>
Total liabilities	<u>112,117</u>	<u>134,717</u>
NET ASSETS		
Without donor restrictions		
Board designated		
CSN groups	147,944	185,232
Operating reserve	25,000	25,000
Undesignated	<u>550,784</u>	<u>261,185</u>
Total net assets without donor restrictions	723,728	471,417
With donor restrictions	<u>407,675</u>	<u>620,892</u>
Total net assets	<u>1,131,403</u>	<u>1,092,309</u>
Total liabilities and net assets	<u><u>\$ 1,243,520</u></u>	<u><u>\$ 1,227,026</u></u>

See accompanying notes to financial statements.

NATIONAL FRAGILE X FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 1,020,348	\$ 160,112	\$ 1,180,460
Conferences and meetings	483,855	-	483,855
CSN groups	79,403	-	79,403
Fees for services	7,601	-	7,601
Educational sales	13,622	-	13,622
Interest income	2,851	-	2,851
Other income	22,203	-	22,203
Net assets released from restriction	<u>373,329</u>	<u>(373,329)</u>	<u>-</u>
Total revenue and support	<u>2,003,212</u>	<u>(213,217)</u>	<u>1,789,995</u>
EXPENSES			
Program services	<u>1,393,236</u>	<u>-</u>	<u>1,393,236</u>
Supporting services			
Management and general	197,599	-	197,599
Fundraising	<u>160,066</u>	<u>-</u>	<u>160,066</u>
Total supporting services	<u>357,665</u>	<u>-</u>	<u>357,665</u>
Total expenses	<u>1,750,901</u>	<u>-</u>	<u>1,750,901</u>
CHANGE IN NET ASSETS	252,311	(213,217)	39,094
NET ASSETS			
Beginning of year (restated)	<u>471,417</u>	<u>620,892</u>	<u>1,092,309</u>
End of year	<u><u>\$ 723,728</u></u>	<u><u>\$ 407,675</u></u>	<u><u>\$ 1,131,403</u></u>

See accompanying notes to financial statements.

NATIONAL FRAGILE X FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries, taxes, and related benefits	\$ 530,976	\$ 32,678	\$ 84,447	\$ 648,101
Bank and credit card fees	16,153	192	9,666	26,011
Conferences	6,970	-	-	6,970
Consulting and professional fees	321,453	124,142	-	445,595
CSN groups	42,516	-	-	42,516
Depreciation and amortization	5,670	708	709	7,087
Fundraising and marketing	-	-	61,770	61,770
Grants, awards, and research expenses	59,375	-	-	59,375
Insurance	-	15,095	-	15,095
Miscellaneous	8,461	12,590	-	21,051
Postage and shipping	3,193	1,316	-	4,509
Printing and reproduction	3,467	-	-	3,467
Programs and events	317,213	-	-	317,213
Software licenses and maintenance	21,264	2,345	2,346	25,955
Supplies and office	13,422	7,405	-	20,827
Travel, meals, and entertainment	<u>43,103</u>	<u>1,128</u>	<u>1,128</u>	<u>45,359</u>
Total expenses	<u>\$ 1,393,236</u>	<u>\$ 197,599</u>	<u>\$ 160,066</u>	<u>\$ 1,750,901</u>

See accompanying notes to financial statements.

NATIONAL FRAGILE X FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 39,094
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	7,087
Changes in operating assets and liabilities	
Accounts receivable	(43,300)
Pledges receivable	71,864
Prepaid expenses	(4,874)
Accounts payable and accrued expenses	385
Held for affiliates	(9,090)
Deferred revenue	<u>(13,895)</u>
Net cash provided by operating activities	47,271

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(43,654)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS 3,617

CASH AND CASH EQUIVALENTS

Beginning of year	<u>776,860</u>
End of year	<u><u>\$ 780,477</u></u>

See accompanying notes to financial statements.

NATIONAL FRAGILE X FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1. NATURE OF ORGANIZATION

National Fragile X Foundation (the Foundation) was created and incorporated in 2001 as a California tax-exempt, nonprofit public benefit corporation. The Foundation 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 that 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 FMRI gene.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net Assets - Net assets are reported in two distinct classes as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that may be either temporary or perpetual.

Cash Equivalents - For the purpose of the statement of cash flows, the Foundation considers as cash equivalents all highly liquid investments which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable - The Foundation's accounts receivable are all due in less than one year and are reported at net realizable value. The Foundation writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based upon management's best estimate of the potential future uncollectibility of accounts outstanding. All receivables were deemed fully collectible, and no allowance for uncollectible accounts was established at December 31, 2018 and 2017.

Pledges Receivable - Pledges receivable represents unconditional amounts committed to the Foundation. All pledges receivable are deemed to be fully collectible and are reflected at either net realizable value or at net present value based on projected cash flows. Amounts receivable in more than one year were discounted at an average annual rate of 2.63% and 2.64% at December 31, 2018 and 2017, respectively. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Based on these reviews, management did not deem the use of an allowance for uncollectible receivables to be necessary at December 31, 2018 and 2017.

Property and Equipment - Property and equipment acquisitions with a cost greater than \$500 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

Donated Goods - Donated goods consist of various items contributed to the Foundation to be given away at conferences and meetings. These goods are reported in the accompanying statements of activities and functional expenses at their estimated fair value at the date of receipt. Donated auction items are reported at their estimated fair value at the date of donation and are subsequently adjusted based on the proceeds received.

Revenue Recognition - Donor-restricted contributions are generally reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. Donor-restricted contributions for which the restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. All other contributions are reported as increases in net assets without donor restrictions.

Revenue from conferences, meetings, and fees for services is recognized as revenue in the period in which the activity takes place. Fees received in advance of the conferences and meetings are reported as deferred revenue in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of the Foundation have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Other common costs such as occupancy, depreciation and related infrastructure costs are allocated based on employee time and effort studies.

New Accounting Pronouncement Adopted - During the year ended December 31, 2018, the Foundation adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources; requiring the presentation of investment return net of all external and direct internal expenses; and modifying the presentation of underwater endowment funds and related disclosures.

Reclassification - Certain amounts previously reported for the year ended December 31, 2017 were reclassified to conform to the 2018 presentation.

NOTE 3. INCOME TAXES

The Foundation is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the year ended December 31, 2018, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Foundation are deductible as provided for in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Foundation's tax positions and concluded that there are no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table represents the Foundation's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

Total assets at end of year		\$ 1,243,520
Less nonfinancial assets		
Prepaid expenses	\$ 15,705	
Net property and equipment	<u>51,965</u>	<u>67,670</u>
Total financial assets at end of year		1,175,850
Less amounts unavailable for general expenditures within one year		
Restricted by donor with purpose restrictions	86,943	
Pledges receivable due in more than one year	120,432	
Amounts designated for operating reserve and CSN groups	<u>172,944</u>	<u>380,319</u>
 Total financial assets available for general expenditures within one year		 <u><u>\$ 795,531</u></u>

NOTE 5. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and cash equivalents. The Foundation maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

NOTE 6. PLEDGES RECEIVABLE

Pledges receivable are promised as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 200,300	\$ 131,209
Due in one to five years	<u>129,945</u>	<u>270,900</u>
Total pledges receivable	330,245	402,109
Less: discount	<u>(9,513)</u>	<u>(9,513)</u>
 Pledges receivable, net	 <u><u>\$ 320,732</u></u>	 <u><u>\$ 392,596</u></u>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 and 2017 consists of the following:

	2018	2017
Office equipment	\$ 12,162	\$ 7,729
Software and website	<u>51,252</u>	<u>12,500</u>
Total property and equipment	63,414	20,229
Less: accumulated depreciation and amortization	<u>(11,449)</u>	<u>(4,831)</u>
Property and equipment, net	<u>\$ 51,965</u>	<u>\$ 15,398</u>

NOTE 8. COMMUNITY SUPPORT NETWORK GROUPS

CSN is the national volunteer program of the Foundation, comprised of 46 groups organized and run by parent volunteers. All of the groups share a common mission with the Foundation and provide emotional and educational support to families and individuals living with Fragile X syndrome and organize events that offer support and build awareness for Fragile X syndrome in their local communities.

Of the total 46 CSN groups, 12 groups operate as separate, legal entities with their own independent tax-exempt statuses. The remaining 34 groups are affiliated groups, for which the Foundation provides managed account services, including processing event proceeds, online registrations, and expense payments; and providing internal reporting. The Foundation exercises oversight through affiliate agreements and has a financial interest in various shared revenues and costs, which are included in the accompanying financial statements. All accounting functions and bank accounts for these 34 groups are maintained by the Foundation, and all accounts of these groups are included in the accompanying financial statements.

Total revenue and expenses generated by the affiliated CSN groups that are included in the accompanying financial statements amounted to \$79,403 and \$42,516 for the year ended December 31, 2018, respectively. CSN groups reserve amounts within unrestricted net assets consist of internally-designated funds for the affiliated CSN groups. These amounts were \$147,944 and \$168,199 at December 31, 2018 and 2017, respectively, and are included in the accompanying statements of financial position.

NOTE 9. COMMITMENTS

The Foundation has entered into agreements with hotels to provide conference room facilities and room accommodations for future meetings and events through 2020. The agreements contain various attrition clauses whereby the Foundation may be liable for liquidated damages in the event of cancellation or lower than anticipated attendance.

However, the Foundation's management does not believe that any material losses will be incurred under these hotel contracts.

NOTE 10. NET ASSETS**Board-Designated – Operating Reserve**

The Foundation's Board of Directors has designated a portion of net assets without donor restrictions to function as an operating reserve fund. At December 31, 2018 and 2017, the Board-designated operating reserve amounted to \$25,000.

Board-Designated - Community Support Network Groups

The Foundation's Board of Directors has designated a portion of net assets without donor restrictions for the purpose of the affiliated CSN groups at December 31, 2018 and 2017 in the amounts of \$147,944 and \$168,199, respectively.

Net Assets with Donor Restrictions

Net assets with temporary donor restrictions were restricted as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program projects	\$ 20,258	\$ 157,069
Research	66,685	6,750
Time restricted only	<u>320,732</u>	<u>457,073</u>
 Total net assets with donor restrictions	 <u>\$ 407,675</u>	 <u>\$ 620,892</u>

NOTE 11. RESTATEMENT ADJUSTMENT

In prior years, pledges receivable were recognized as revenue without donor restrictions. Pledges receivable have an implied time restriction and should be included in net assets with donor restrictions until the contributions are received. This resulted in an overstatement of net assets without donor restrictions and an understatement of net assets with donor restrictions in the amount of \$392,596. Management has restated amounts previously reported for 2017.

NOTE 12. RETIREMENT PLAN

The Foundation maintains a 401(k) plan, which covers substantially all employees meeting certain age and service requirements. Participants may contribute a portion of their annual compensation on a pretax basis, subject to limitations established by the Internal Revenue Service. The Foundation may make discretionary contributions to the plan, but did not make any contributions for the year ended December 31, 2018.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 3, 2019, which is the date financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.