

FRAXA Research Foundation, Inc

Financial Statements
Year ended 12.31.2008



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, 2008, 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, 2008, 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.

03.27.09

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FRAXA Research Foundation, Inc.

Statement of Financial Position ~ 12.31.08

<i>Assets</i>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,210,263
Investments	\$ 1,843,762
<i>Total Cash and Cash Equivalents</i>	<u>\$ 3,054,024</u>
Pledge Receivable ~ Short Term	\$ 5,000
Accounts Receivable	\$ 63,199
<i>Total Current assets</i>	<u>\$ 3,122,223</u>
<i>Equipment and Property, at cost:</i>	
Equipment	\$ 5,558
Less - Accumulated depreciation	\$ 5,336
<i>Net equipment and property</i>	<u>\$ 222</u>
<i>Other Assets</i>	
Prepaid Expenses	\$ 62,740
Total Assets	<u><u>\$ 3,185,185</u></u>
<i>Liabilities and Net Assets</i>	
<i>Current Liabilities:</i>	
Accrued payroll	\$ 19,059
Accrued expenses	\$ 1,634
Grants Payable	\$ 20,000
<i>Total Current Liabilities</i>	<u>\$ 40,693</u>
<i>Net Assets:</i>	
Unrestricted net assets	\$ 3,139,491
Temporarily restricted net assets	\$ 5,000
Permanently restricted net assets	\$ -
<i>Total net assets</i>	<u>\$ 3,144,491</u>
Total Liabilities and Net Assets	<u><u>\$ 3,185,185</u></u>

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

FRAXA Research Foundation, Inc.

Statement of Activities ~ Year Ended 12.31.08

	Temporarily		
	Unrestricted	Restricted	Total
<i>Revenues and Public Support</i>			
Contributions	\$ 755,855	\$ 90,000	\$ 845,855
In-kind Contributions	\$ 68,456		\$ 68,456
Product Sales	\$ 7,540		\$ 7,540
Miscellaneous Income	\$ 390		\$ 390
Pass-through Grants	\$ 52,969		\$ 52,969
Realized Gain on Investments	\$ 1,679		\$ 1,679
Unrealized Loss on Investment	\$ (632,146)		\$ (632,146)
Fundraising Events	\$ 411,235		\$ 411,235
less: Direct Donor Costs	\$ (33,623)		\$ (33,623)
<i>Total Revenues and Public Support</i>	<u>\$ 632,355</u>	<u>\$ 90,000</u>	<u>\$ 722,355</u>
Allocated Investment Income	\$ 106,177		\$ 106,177
	<u>\$ 738,532</u>	<u>\$ 90,000</u>	<u>\$ 828,532</u>
<i>Net Assets Released from Restrictions</i>			
Satisfaction of program restrictions	\$ 180,000	\$ (180,000)	\$ -
	<u>\$ 180,000</u>	<u>\$ (180,000)</u>	<u>\$ -</u>
<i>Total Revenues and Public Support</i>	<u>\$ 918,532</u>	<u>\$ (90,000)</u>	<u>\$ 828,532</u>
<i>Expenses</i>			
Program Services- Research	\$ 2,482,696	\$ -	\$ 2,482,696
Program Services - Education	\$ 170,248		\$ 170,248
Fundraising	\$ 84,846	\$ -	\$ 84,846
Administration	\$ 66,699	\$ -	\$ 66,699
	<u>\$ 2,804,489</u>	<u>\$ -</u>	<u>\$ 2,804,489</u>
<i>Net Change in Net Assets</i>	<u>\$(1,885,957)</u>	<u>\$ (90,000)</u>	<u>\$(1,975,957)</u>
Net Assets, beginning of the year	<u>\$ 5,025,448</u>	<u>\$ 95,000</u>	<u>\$ 5,120,448</u>
Net assets, end of the year	<u>\$ 3,139,491</u>	<u>\$ 5,000</u>	<u>\$ 3,144,491</u>

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FRAXA Research Foundation, Inc.

Statement of Functional Expenses ~ Year Ended 12.31.08

	<i>Total</i>					<i>Total</i>
	<i>Research</i>	<i>Education</i>	<i>Program Services</i>	<i>Fundraising</i>	<i>Administration</i>	<i>Functional Expenses</i>
Grants	\$ 2,248,606		\$ 2,248,606			\$ 2,248,606
Direct Fundraising Expenses				\$ 29,647		\$ 29,647
Education Direct Expense		\$ 7,592	\$ 7,592			\$ 7,592
Education-Other		\$ 66,400	\$ 66,400			\$ 66,400
Salaries and Wages	\$ 91,948	\$ 59,222	\$ 151,170	\$ 33,057	\$ 22,079	\$ 206,305
Payroll Taxes	\$ 4,870	\$ 5,388	\$ 10,259	\$ 4,198	\$ 1,859	\$ 16,317
Employee Benefits	\$ 5,388	\$ 6,326	\$ 11,714	\$ 4,920	\$ 2,109	\$ 18,743
Office Expense	\$ 274	\$ 304	\$ 578	\$ 706	\$ 7,051	\$ 8,336
Depreciation					\$ 217	\$ 217
Insurance					\$ 1,498	\$ 1,498
Professional Fees					\$ 3,500	\$ 3,500
Outside Services	\$ 6,195	\$ 1,365	\$ 7,560	\$ 2,146	\$ 12,895	\$ 22,601
Postage	\$ 14	\$ 2,075	\$ 2,089	\$ 1,020	\$ 2,332	\$ 5,441
Printing	\$ -	\$ 14,973	\$ 14,973	\$ 5,511		\$ 20,484
Registration Fees					\$ 1,773	\$ 1,773
Rent	\$ 3,164	\$ 3,714	\$ 6,878	\$ 2,889	\$ 1,238	\$ 11,005
Research Conferences	\$ 121,087		\$ 121,087			\$ 121,087
Telephone	\$ 735	\$ 862	\$ 1,597	\$ 671	\$ 287	\$ 2,555
Travel	\$ 414	\$ 2,027	\$ 2,441	\$ 81	\$ 9,860	\$ 12,383
	\$ 2,482,696	\$ 170,248	\$ 2,652,944	\$ 84,846	\$ 66,699	\$ 2,804,489

*

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FRAXA Research Foundation, Inc.

Statement of Cash Flows ~ 12.31.08

Cash Flows from Operating Activities

Increase in net assets	\$ (1,975,957)
<i>Adjustments to reconcile net income to net cash provided by (applied to) operating activities:</i>	
Depreciation	\$ 217
<i>(Increase) decrease in operating assets</i>	
Pledge Receivable~Short Term	\$ (5,000)
Accounts Receivable	\$ 32,501
Prepaid Expenses	\$ (39,000)
Accounts payable	\$ (26)
Accrued liabilities	\$ 9,260
Grants Payable	\$ 20,000
	<u>\$ 17,735</u>
Net Cash Provided by (Applied to) Operating Activities	<u>\$ (1,958,005)</u>

Cash Flows from Investing Activities

Proceeds from sale of marketable securities	\$ 827,944
Purchase of marketable securities	<u>\$ (870,119)</u>
Net Cash Applied to Investing Activities	<u>\$ (42,175)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,000,180)
Cash and Cash Equivalents, Beginning of the Year	<u>\$ 3,210,443</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 1,210,263</u></u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	<u>\$ -</u>
Income taxes Paid	<u>\$ -</u>
In-Kind Contributions	<u><u>\$ 147,746</u></u>

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FRAXA Research Foundation, Inc.
Notes to Financial Statements
Year Ended ~ 12.31.08

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

- Fair Value of Financial Instruments
The fair value of the Foundation's financial instruments approximates their carrying value. Net appreciation in the fair value of investments, which consist of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities.

The following is a summary of Investments as of December 31, 2008:

Description	Cost	Fair Market Value	Unrealized Gain or (Loss)
Stock Cross Securities	\$ 1,201,192	\$ 723,236	(\$477,956)
Bank of NY Mellon Securities	<u>1,307,696</u>	<u>1,120,524</u>	<u>(\$187,171)</u>
	\$ 1,109,589	\$ 1,843,760	(\$665,127)
Unrealized Losses at 12/31/07			<u>(\$ 32,982)</u>
Unrealized Losses recognized at 12/31/08			<u>(\$ 632,145)</u>

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➤ Pledge Receivable

As of December 31, 2008, the Foundation has pledges receivable totaling \$5,000 from the National Institute of Child Health and Human Development. The amount was pledged to sponsor the Fraxa Investigators Meeting and was received in January 2009.

➤ Operating Lease

In November 2005, the Foundation renewed its operating lease for office space in Newburyport, MA. The lease having no set expiration date provides for monthly payments of \$910 with an escalation of 3.5% each subsequent year. The escalation was waived for 2009 due to the downturn of the economy and rents will remain the same for that year. Rent expense for 2008 was \$11,005. The minimum required lease payments are as follows for fiscal years ended December 31:

2009	\$10,920
2010	\$11,302
2011	\$11,698
2012	\$12,107
2013	\$12,531

➤ Basis of Presentation

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

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

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

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

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

➤ Contributions Revenue Recognition

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

➤ Allocation of Expenses

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

➤ Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the depreciable property. Property and Equipment at December 31, 2008 consisted of office equipment with an acquired cost of \$5,558 and accumulated depreciation of \$5,336. Depreciation expense totaled \$217 at December 31, 2008.

➤ 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 \$61,000 and an additional amount of \$7,455 for miscellaneous office products have been reflected in the financial statements as in-kind contributions during 2008. During 2008, the Foundation received donated stock for a total of 68 shares with a fair market value of \$80,318 at the date of contribution. The fair market value of these shares at December 31, 2008 is included in total investments at year end. A substantial number of unpaid volunteers donated significant amounts of their time in the Society's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under Statement of Financial Accounting Standard No. 116,

“Accounting for Contributions Received and Contributions Made”, have not been satisfied.

➤ Use of Estimates

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

Other Notes

Temporarily Restricted Net Assets

Restricted net assets at year end were \$5,000; details regarding this balance are as follows:

As of December 31, 2008, temporarily restricted net assets consisted of donations for the funding of research for treatment and a cure for Fragile X. In 2008, various donors made contributions totaling \$15,000 to be used to fund research and an additional \$75,000 was contributed to be used to sponsor the Fraxa Investigators Meeting held in September 2008. In addition, another \$5,000 was pledged to sponsor the Fraxa Investigators Meeting and was a receivable at December 31, 2008.

<i>Program Activities:</i>	<i>Meeting Sponsors</i>	<i>Grant Research</i>	<i>Total</i>
Temporary Restricted Net Assets 12/31/07		\$95,000	\$95,000
<i>2008 Donations:</i>			
Various Donors	75,000	15,000	90,000
Pledge Receivable	5,000		5,000
Total 2008 Restricted Donations	80,000	110,000	190,000
Less: 2008 expenditures	(75,000)	(110,000)	(185,000)
Temporary Restricted Net Assets 12/31/08	<u>\$5,000</u>	<u>\$0</u>	<u>\$5,000</u>

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Net assets totaling \$185,000 were released from donor restrictions as of March 31, 2008. This included \$80,000 for meeting sponsorships and \$110,000 towards the funding of research for treatments and an ultimate cure for Fragile X. These expenses satisfied the purpose specified by the donors.

Advertising

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

Concentrations of Risk

The FRAXA Research Foundation, Inc. maintains its cash balances in a financial institution in Massachusetts. The FDIC insures balances up to \$250K. At certain times during the year cash balances may exceed the insured amounts.

Management monitors, on a regular basis, the financial condition of these financial institutions, along with their balances to keep this potential risk to a minimum. At December 31, 2008, a substantial portion of the Foundation's cash equivalents were in the Institute for Savings and the Newburyport Five Cents Savings Bank in Newburyport, MA in the amounts of \$475,248 and \$629,035, respectively.

Related Party Transactions

There were no reportable related party transactions.

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.