

**FRAXA Research Foundation, Inc.**

**Financial Statements  
December 31, 2016**

**FRAXA Research Foundation, Inc.**

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December 31, 2016

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**FRITZ DEGUGLIELMO LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**& BUSINESS ADVISORS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
FRAXA Research Foundation, Inc.  
Newburyport, Massachusetts

We have audited the accompanying financial statements of FRAXA Research Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and 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 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 FRAXA Research Foundation, Inc. as of December 31, 2016, 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.

*Fritz Deguglielmo LLC*  
Certified Public Accountants

Newburyport, Massachusetts  
May 2, 2017

**FRAXA Research Foundation, Inc.**

## Statement of Financial Position

December 31, 2016

## ASSETS

## Current Assets

Cash	\$ 581,108
Investments	1,187,193
Pledges Receivable	<u>88,887</u>
Total Current Assets	<u>1,857,188</u>

## Other Assets

Prepaid Expenses	<u>2,800</u>
Total Other Assets	<u>2,800</u>

Total Assets	<u>\$ 1,859,988</u>
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## LIABILITIES AND NET ASSETS

## Current Liabilities

Accounts Payable and Accrued Expenses	\$ 235
Grant Payable	<u>17,417</u>
Total Current Liabilities	<u>17,652</u>

Total Liabilities	<u>17,652</u>
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## Net Assets

Unrestricted Net Assets	1,842,336
Temporarily Restricted Net Assets	-
Permanently Restricted Net Assets	<u>-</u>

Total Net Assets	<u>1,842,336</u>
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Total Liabilities and Net Assets	<u>\$ 1,859,988</u>
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See accompanying notes to financial statements and independent auditor's report.

**FRAXA Research Foundation, Inc.**  
Statement of Activities  
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions and Grants	\$ 859,302	\$ -	\$ 859,302
In-Kind Contributions - Web Technology	133,488	-	133,488
Fundraising Events	401,913	-	401,913
Other	943	-	943
Realized Gain on Investments	12,566	-	12,566
Unrealized Gain on Investments	27,672	-	27,672
Investment Income	42,778	-	42,778
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>
Total Revenue and Support	<u>1,523,662</u>	<u>(45,000)</u>	<u>1,478,662</u>
Expenses			
Program Services - Research	1,457,681	-	1,457,681
Program Services - Education	182,957	-	182,957
Fundraising	103,942	-	103,942
Administration	<u>51,007</u>	<u>-</u>	<u>51,007</u>
Total Expenses	<u>1,795,587</u>	<u>-</u>	<u>1,795,587</u>
Change in Net Assets	(271,925)	(45,000)	(316,925)
Net Assets – Beginning of Year	<u>2,114,261</u>	<u>45,000</u>	<u>2,159,261</u>
Net Assets – End of Year	<u>\$ 1,842,336</u>	<u>\$ -</u>	<u>\$ 1,842,336</u>

See accompanying notes to financial statements and independent auditor's report.

**FRAXA Research Foundation, Inc.**  
Statement of Functional Expenses  
For the year ended December 31, 2016

	Program Services		Total Program Services	Fund- raising	Management and General	Total
	Research	Education				
Bank and credit fees	\$ 460	\$ -	\$ 460	\$ 1,842	\$ 724	\$ 3,026
Direct Fundraising	-	-	-	46,512	-	46,512
Employee Benefits	4,633	4,448	9,081	3,707	2,039	14,827
Grants	1,302,332	-	1,302,332	-	-	1,302,332
In-Kind Expense - Web	3,000	122,488	125,488	4,000	4,000	133,488
Insurance	-	-	-	-	4,071	4,071
Office Expense	442	1,100	1,542	620	220	2,382
Payroll Taxes	5,578	5,355	10,933	4,463	2,454	17,850
Postage	325	2,090	2,415	3,015	75	5,505
Printing	575	1,400	1,975	2,900	650	5,525
Professional Fees	-	-	-	216	6,688	6,904
Registration Fees	-	-	-	-	2,390	2,390
Rent	2,784	2,673	5,457	2,228	1,225	8,910
Salaries and Wages	131,134	42,918	174,052	33,403	25,882	233,337
Telephone	427	409	836	341	188	1,365
Travel	430	-	430	396	162	988
Research Meeting	5,561	-	5,561	-	-	5,561
Miscellaneous	-	76	76	299	239	614
Total Expenses	<u>\$ 1,457,681</u>	<u>\$ 182,957</u>	<u>\$ 1,640,638</u>	<u>\$ 103,942</u>	<u>\$ 51,007</u>	<u>\$ 1,795,587</u>

See accompanying notes to financial statements and independent auditor's report.

**FRAXA Research Foundation, Inc.**  
Statement of Cash Flows  
For the year ended December 31, 2016

Operating Activities	
Change in net assets	\$ (316,925)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Net unrealized and realized gains on investments	(40,238)
Changes in operating assets and liabilities:	
Pledges Receivable	108,627
Prepaid Expenses	(1,800)
Accounts Payable and Accrued Expenses	(59)
Grant Payable	<u>17,417</u>
Net Cash Used in Operating Activities	<u>(232,978)</u>
Investing Activities	
Proceeds From Sale of Investments	177,049
Purchases of Investments	<u>(163,520)</u>
Net Cash Provided by Investing Activities	<u>13,529</u>
Net decrease in cash	(219,449)
Cash, beginning of year	<u>800,557</u>
Cash, end of year	<u><u>\$ 581,108</u></u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u><u>\$ -</u></u>

See accompanying notes to financial statements and independent auditor's report.

# FRAXA Research Foundation, Inc.

## Notes to Financial Statements

December 31, 2016

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

FRAXA Research Foundation, Inc. (“FRAXA” or “the 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 equivalents

For financial statement purposes, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents balance as of December 31, 2016 was \$581,108.

#### 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 statement of financial position. Net appreciation in the fair value of investments, which consist of the realized gains and losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. During 2016, the Foundation received donated stock from various sources with a total fair market value of \$10,048 at the date of contribution. The fair market value of these stocks at December 31, 2016, if not sold during the year, is included in the total investments at year end. The following is a summary of investments as of December 31, 2016:

Description	Cost	Fair Market Value	Unrealized Gain or (Loss)
StockCross Financial	\$ 123,785	\$ 110,310	\$ (13,475)
Bank of NY Mellon	952,195	1,076,883	124,688
	\$1,075,980	\$1,187,193	\$ 111,213

Investment income reported on the statement of activities includes interest, dividends and capital gain distributions, net of investment fees. Investment fees during the year ended December 31, 2016 totaled \$5,872.

#### Fair Value Measurements

Management has adopted the criteria of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820, (formerly SFAS No. 157, “*Fair Value Measurements*”). FASB ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. FASB ASC 820 establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under FASB ASC 820 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs other than quoted market prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable.



# **FRAXA Research Foundation, Inc.**

## **Notes to Financial Statements**

December 31, 2016

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. At December 31, 2016, fair values of investments and cash equivalents were all measured on a recurring basis using level 1 of the hierarchy.

#### Pledges Receivable

The Foundation had \$88,887 of pledges receivable as of December 31, 2016. All of the pledges receivable are collectible within one year. The Foundation has evaluated the pledges receivable and has determined that they are deemed fully collectible as of December 31, 2016. Accordingly, there is no provision for the allowance for doubtful accounts.

#### Grants Payable

As of December 31, 2016, the Foundation had one grant payable in the amount of \$17,417.

#### Operating Lease

In June 2012, the Foundation entered into a new operating lease for office space in Newburyport, MA. The lease was for a two year term and expired May 31, 2014. The Foundation now leases the office space on a month to month basis at \$760 per month.

#### Method of Accounting

The Foundation maintains its accounts and prepares its financial statements on the accrual basis of accounting. The Foundation prepares its financial statements in accordance with the FASB ASC 958 (formerly SFAS No. 117, "*Financial Statements of Not-for-Profit Organizations*"). Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as defined below:

*Unrestricted Net Assets* – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

*Temporarily Restricted Net Assets* – includes funds with donor-imposed restrictions, which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, contracts and investment incomes earned on restricted funds.

*Permanently Restricted Net Assets* – includes resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets.

#### Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets that are released from restriction in the same year received are recorded as unrestricted net assets.

# **FRAXA Research Foundation, Inc.**

## **Notes to Financial Statements**

**December 31, 2016**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

As of December 31, 2016, temporarily restricted net assets consisting of a donation for the funding of research for treatment and a cure for Fragile X was released for its intended purposes.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### 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 Foundation's 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 Foundation.

#### Property and Equipment

Property and equipment with useful lives greater than one year are carried at cost. Equipment is depreciated under the straight-line method using lives between 5 and 7 years. There is no property and equipment reported in these financial statements fitting these criteria.

Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the life of an asset are capitalized.

#### Donated Services

Donated services are recognized if the services received create or enhance a non-financial asset or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair market value of Google Ad words services in the amount of \$118,488 and an additional amount of \$15,000 for the fair market value of donated license fees from Salesforce.com have been reflected in the financial statements as in-kind contributions during 2016. A substantial number of unpaid volunteers donated significant amounts of their time in the Foundation's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

#### Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### **NOTE B – ADVERTISING**

Advertising costs are expensed as incurred. For the year ended December 31, 2016, there were no advertising expenses.

# **FRAXA Research Foundation, Inc.**

## **Notes to Financial Statements**

December 31, 2016

### **NOTE C – CONCENTRATIONS OF RISK**

The Foundation maintains its cash balances in several financial institutions. The FDIC insures balances up to \$250,000. As of December 31, 2016, the Foundation maintained \$545,729 of its total cash, excluding reconciling items, in banks that carry additional insurance through the Depositors Insurance Fund (DIF). DIF is a private, industry-sponsored insurance fund that insures all deposits above Federal Deposit Insurance Corporation limits at Massachusetts chartered savings banks. The Foundation's remaining cash balance at December 31, 2016 was within insurable limits with either the FDIC or Securities Investor Protection Corporation (SIPC). However, those accounts could from time to time exceed insurable limits.

The Foundation also maintains significant investments in securities which are subject to potential uninsured market losses.

### **NOTE D – RELATED PARTY TRANSACTIONS**

There were no reportable related party transactions.

### **NOTE E – INCOME TAX STATUS**

The Foundation is organized and operated exclusively for charitable purposes. Income related to its charitable purpose is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Foundation has adopted the application of the provisions of FASB ASC 740-10 (formerly FASB Interpretation No. 48, "*Accounting For Uncertainty in Income Taxes*"). The primary tax positions made by the Organization are the existence/non-existence of Unrelated Business Income Tax and the Organization's status as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation currently evaluates all tax positions, and makes determinations regarding the likelihood of those positions being upheld under review. For the year presented, and as a result of adoption, the Foundation has not recognized any tax benefits or loss contingencies for uncertain tax positions based on its evaluations. The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2013 through 2016 are subject to examination by the IRS, generally for 3 years after it is filed.

### **NOTE F – RETURN OF PRIOR YEAR GRANT FUNDS**

The Foundation issues various grants to outside researchers as part of its program activities. The Foundation records grant expense when the grant is approved and issued. Occasionally, the full amount of grant funds are not fully utilized by the researcher prior to the grant deadline and the unused portion of the grant is returned to the Foundation. These amounts are typically immaterial and netted with grant expense.

### **NOTE G – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 2, 2017, which is the date the financial statements were available to be issued.