

FRAXA Research Foundation, Inc.

**Financial Statements
December 31, 2017**

FRAXA Research Foundation, Inc.

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December 31, 2017

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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, 2017, 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, 2017, 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, 2018

FRAXA Research Foundation, Inc.

Statement of Financial Position

December 31, 2017

ASSETS

Current Assets	
Cash	\$ 1,072,659
Investments	1,099,301
Pledges Receivable	<u>43,456</u>
Total Current Assets	<u>2,215,416</u>
Other Assets	
Prepaid Expenses	<u>2,000</u>
Total Other Assets	<u>2,000</u>
Total Assets	<u>\$ 2,217,416</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 8,305
Grant Payable	<u>184,000</u>
Total Current Liabilities	<u>192,305</u>
Total Liabilities	<u>192,305</u>
Net Assets	
Unrestricted Net Assets	1,873,940
Temporarily Restricted Net Assets	151,171
Permanently Restricted Net Assets	<u>-</u>
Total Net Assets	<u>2,025,111</u>
Total Liabilities and Net Assets	<u>\$ 2,217,416</u>

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

FRAXA Research Foundation, Inc.
Statement of Activities
For the year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions and Grants	\$ 1,005,791	\$ 151,171	\$ 1,156,962
In-Kind Contributions - Web Technology	36,409	-	36,409
Fundraising Events	423,117	-	423,117
Other	3,437	-	3,437
Realized Gain on Investments	169,673	-	169,673
Unrealized Loss on Investments	(60,992)	-	(60,992)
Investment Income	35,698	-	35,698
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	-	-	-
 Total Revenue and Support	 <u>1,613,133</u>	 <u>151,171</u>	 <u>1,764,304</u>
 Expenses			
Program Services - Research	1,231,460	-	1,231,460
Program Services - Education	130,756	-	130,756
Fundraising	165,239	-	165,239
Administration	54,074	-	54,074
Total Expenses	<u>1,581,529</u>	<u>-</u>	<u>1,581,529</u>
 Change in Net Assets	 31,604	 151,171	 182,775
 Net Assets – Beginning of Year	 <u>1,842,336</u>	 <u>-</u>	 <u>1,842,336</u>
 Net Assets – End of Year	 <u>\$ 1,873,940</u>	 <u>\$ 151,171</u>	 <u>\$ 2,025,111</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, 2017

	Program Services		Total	Fund- raising	Management	Total
	Research	Education	Program Services		and General	
Bank and credit fees	\$ 250	\$ -	\$ 250	\$ 7,308	\$ 15	\$ 7,573
Direct Fundraising	-	-	-	53,545	-	53,545
Employee Benefits	4,137	3,309	7,446	2,068	1,517	11,031
Grants	1,064,806	-	1,064,806	-	-	1,064,806
In-Kind Expense - Web	3,000	25,409	28,409	4,000	4,000	36,409
Insurance	-	-	-	-	5,266	5,266
Office Expense	179	7,328	7,507	1,264	1,885	10,656
Payroll Taxes	9,382	7,506	16,888	4,691	2,165	23,744
Postage	63	413	476	2,821	27	3,324
Printing	-	1,278	1,278	4,526	-	5,804
Professional Fees	-	-	-	1,502	10,224	11,726
Registration Fees	-	-	-	-	4,080	4,080
Rent	3,420	2,736	6,156	1,710	1,254	9,120
Salaries and Wages	128,166	81,750	209,916	77,453	23,002	310,371
Telephone	687	550	1,237	344	252	1,833
Travel	206	-	206	3,636	148	3,990
Research Meeting	17,164	-	17,164	-	-	17,164
Miscellaneous	-	477	477	371	239	1,087
Total Expenses	\$ 1,231,460	\$ 130,756	\$ 1,362,216	\$ 165,239	\$ 54,074	\$ 1,581,529

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, 2017

Operating Activities	
Change in net assets	\$ 182,775
Adjustments to reconcile change in net assets to cash used in operating activities:	
Net unrealized and realized gains/losses on investments	(108,681)
Changes in operating assets and liabilities:	
Pledges Receivable	45,431
Prepaid Expenses	800
Accounts Payable and Accrued Expenses	8,070
Grant Payable	<u>166,583</u>
Net Cash Provided by Operating Activities	<u>294,978</u>
Investing Activities	
Proceeds From Sale of Investments	1,236,345
Purchases of Investments	<u>(1,039,772)</u>
Net Cash Provided by Investing Activities	<u>196,573</u>
Net increase in cash	491,551
Cash, beginning of year	<u>581,108</u>
Cash, end of year	<u>\$ 1,072,659</u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u>\$ -</u>

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

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2017

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, 2017 was \$1,072,659.

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 2017, the Foundation transferred its investment account with BNY Mellon to CIBC, incurring realized gains on the transfer. Also, during 2017, the Foundation received donated stock from one source with a total fair market value of \$49,921 at the date of contribution. The fair value of stocks received as donations are recorded to contribution revenue when received. The fair market value of these stocks at December 31, 2017, 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, 2017:

<u>Description</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain or (Loss)</u>
StockCross Financial	\$ 83,478	\$ 86,614	\$ 3,136
CIBC	<u>966,497</u>	<u>1,012,687</u>	<u>46,190</u>
	\$1,049,975	\$1,099,301	\$ 49,326

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, 2017 totaled \$5,526.

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, 2017

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, 2017, 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 \$43,456 of pledges receivable as of December 31, 2017. 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, 2017. Accordingly, there is no provision for the allowance for doubtful accounts.

Grants Payable

As of December 31, 2017, the Foundation had several grants payable in the amount of \$184,000.

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, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

As of December 31, 2017, temporarily restricted net assets consisted of donations for the funding of research for treatment and a cure for Fragile X.

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 \$21,409 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 2017. 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, 2017, there were no advertising expenses.

FRAXA Research Foundation, Inc.

Notes to Financial Statements

December 31, 2017

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, 2017, the Foundation maintained \$944,101 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, 2017 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, 2014 through 2017 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, 2018, which is the date the financial statements were available to be issued.