

Neurofibromatosis, Inc., Northeast

Financial Statements

For the Years Ended
December 31, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Neurofibromatosis, Inc., Northeast
Burlington, Massachusetts

We have audited the accompanying statement of financial position of **Neurofibromatosis, Inc., Northeast** (a not-for-profit organization) as of December 31, 2007, 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. The prior year information has been derived from the Organization's December 31, 2006 financial statements and was audited by other auditors whose report dated August 21, 2007 expressed an unqualified opinion on those statements.

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 **Neurofibromatosis, Inc., Northeast**, as of December 31, 2007, 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.


Newton, Massachusetts
July 23, 2008

Neurofibromatosis, Inc., Northeast

Statements of Financial Position December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 350,257	\$ 274,604
Prepaid expenses	1,706	-
Property and equipment, net	<u>12,024</u>	<u>4,855</u>
Total assets	<u>\$ 363,987</u>	<u>\$ 279,459</u>
<i>Liabilities and Net Assets</i>		
Liabilities		
Accounts payable	\$ 15,682	\$ 682
Accrued expenses	<u>12,621</u>	<u>1,975</u>
Total liabilities	<u>28,303</u>	<u>2,657</u>
Net assets		
Unrestricted	315,684	276,802
Temporarily restricted	<u>20,000</u>	<u>-</u>
Total net assets	<u>335,684</u>	<u>276,802</u>
Total liabilities and net assets	<u>\$ 363,987</u>	<u>\$ 279,459</u>

The accompanying notes are an integral part of these financial statements

Neurofibromatosis, Inc., Northeast

Statement of Activities For the Year Ended December 31, 2007 (With Comparative Totals for 2006)

	Unrestricted	Temporarily Restricted	Total 2007	Total 2006
Revenues				
Special event revenue	\$ 549,876	\$ 20,000	\$ 569,876	\$ 508,473
Special event costs	(135,677)	-	(135,677)	(117,577)
Net support from fundraising events	414,199	20,000	434,199	390,896
Contributions	65,387	-	65,387	64,694
Interest and dividend income	12,409	-	12,409	5,478
Membership dues	130	-	130	235
Total revenues	492,125	20,000	512,125	461,303
Expenses				
Program	368,570	-	368,570	290,040
Management and general	53,491	-	53,491	33,125
Fundraising	31,182	-	31,182	31,896
Total expenses	453,243	-	453,243	355,061
Increase in net assets	38,882	20,000	58,882	106,242
Net assets at beginning of year, as previously reported	256,802	-	256,802	170,560
Prior year adjustment (Note 6)	20,000	-	20,000	-
Net assets at beginning of year, as restated	276,802	-	276,802	170,560
Net assets at end of year	\$ 315,684	\$ 20,000	\$ 335,684	\$ 276,802

The accompanying notes are an integral part of these financial statements

Neurofibromatosis, Inc., Northeast

Statement of Functional Expenses For the Year Ended December 31, 2007

Expenses	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 102,627	\$ 21,992	\$ 21,992	\$ 146,611
Grants to other organizations	120,090	-	-	120,090
Public awareness	50,550	-	-	50,550
Lobbying expense	25,701	-	-	25,701
Accounting fees	-	21,600	-	21,600
Employee benefits	12,809	2,745	2,745	18,299
Other program expense	11,936	-	-	11,936
Payroll taxes	7,779	1,667	1,667	11,113
Office supplies and postage	6,594	1,413	1,413	9,420
Office rent and utilities	6,428	1,377	1,377	9,182
Camp	6,150	-	-	6,150
Reports and newsletters	5,975	-	-	5,975
Bank processing fees	3,926	841	841	5,608
Telephone and internet	2,550	546	546	3,642
Depreciation	1,541	330	330	2,201
Insurance	1,266	271	271	1,808
Family support	1,734	-	-	1,734
Volunteer development	914	-	-	914
Board meetings expense	-	709	-	709
	<u>\$ 368,570</u>	<u>\$ 53,491</u>	<u>\$ 31,182</u>	<u>\$ 453,243</u>

Continued...

Neurofibromatosis, Inc., Northeast

Statement of Functional Expenses For the Year Ended December 31, 2006

Expenses	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 77,493	\$ 20,267	\$ 21,460	\$ 119,220
Grants to other organizations	113,275	-	-	113,275
Other program expense ¹	23,988	-	-	23,988
Lobbying expense	25,000	-	-	25,000
Employee benefits	10,564	2,763	2,925	16,252
Payroll taxes	6,829	1,786	1,891	10,506
Office rent and utilities	6,312	1,651	1,748	9,711
Reports and newsletters	7,595	-	-	7,595
Bank processing fees	3,703	968	1,025	5,696
Office supplies and postage	3,491	913	967	5,371
Public awareness	5,000	-	-	5,000
Insurance	2,365	620	654	3,639
Telephone and internet	2,321	607	643	3,571
Depreciation	2,104	550	583	3,237
Accounting fees	-	3,000	-	3,000
	<u>\$ 290,040</u>	<u>\$ 33,125</u>	<u>\$ 31,896</u>	<u>\$ 355,061</u>

The accompanying notes are an integral part of these financial statements

Neurofibromatosis, Inc., Northeast

Statements of Cash Flows For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets	\$ 58,882	\$ 106,242
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,201	3,237
Changes in operating assets and liabilities		
Increase in prepaid expenses	(1,706)	-
Increase in accrued expenses	10,646	-
Increase (decrease) in accounts payable	15,000	(5,842)
Net cash provided by operating activities	<u>85,023</u>	<u>103,637</u>
Cash flows from investing activities		
Purchase of software	<u>(9,370)</u>	<u>-</u>
Net cash used in investing activities	<u>(9,370)</u>	<u>-</u>
Net increase in cash and cash equivalents	75,653	103,637
Cash and cash equivalents at beginning of year	<u>274,604</u>	<u>170,967</u>
Cash and cash equivalents at end of year	<u>\$ 350,257</u>	<u>\$ 274,604</u>

The accompanying notes are an integral part of these financial statements

Neurofibromatosis, Inc., Northeast

Notes Accompanying the Financial Statements For the Years Ended December 31, 2007 and 2006

1. Organization

Neurofibromatosis, Inc., Northeast (previously Neurofibromatosis, Inc. - Mass Bay Area) (the "Organization") is a Massachusetts not-for-profit organization founded in 1988. The Organization raises funds to support research of the causes, cure and treatment of a disease described as Neurofibromatosis, to promote and provide support services to patients and their families, to support clinics dedicated to diagnosis and treatment and to support programs intended to increase awareness of the disease.

2. Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than three months.

Advertising expense

The Organization expenses the cost of advertising as incurred. Advertising expenses amounted to \$50,200 and \$5,000 for the years ended December 31, 2007 and 2006, respectively, and is included in public awareness in the statements of functional expenses.

Neurofibromatosis, Inc., Northeast

Notes Accompanying the Financial Statements For the Years Ended December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the double declining balance for computer equipment and the straight-line method for software, with depreciation computed over the estimated useful lives of the property and equipment.

Grants Awards

The organization periodically awards grants for research only after a peer review committee has analyzed and approved the grant proposal. At December 31, 2007 and 2006, the Organization had no outstanding grants payable.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income at both the state and federal levels. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from Massachusetts income taxes.

Donated Materials and Facilities

Donated materials and facilities are recorded as contributions at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

Neurofibromatosis, Inc., Northeast

Notes Accompanying the Financial Statements For the Years Ended December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (Continued)

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 restriction.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Property and Equipment

Property and equipment consist of the following major classifications as of December 31:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$ 10,115	\$ 10,115
Software	<u>9,370</u>	<u>-</u>
	19,485	10,115
Less: Accumulated depreciation	<u>7,461</u>	<u>5,260</u>
	<u>\$ 12,024</u>	<u>\$ 4,855</u>

Depreciation expense amounted to \$2,201 and \$3,237 for the years ended December 31, 2007 and 2006, respectively.

4. Contribution In-Kind

Contribution in-kind for the year ended December 31, 2007 consists of donated accounting services of \$9,300.

Neurofibromatosis, Inc., Northeast

Notes Accompanying the Financial Statements For the Years Ended December 31, 2007 and 2006

5. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of temporary cash investments. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one institution. Cash balances held with various financial institutions occasionally exceed the insurance limit of \$100,000 provided by the Federal Deposit Insurance Corporation.

For the years ended December 31, 2007 and 2006, respectively, the Organization received approximately 36% and 39% of total revenue from one golf event.

6. Prior Period Adjustment

The accompanying financials statements for the year ended December 31, 2006, have been restated to correct an understatement of support and revenue. The effect of the restatement was to increase previously reported change in net assets by \$20,000.

7. Simple IRA Plan

The Organization maintains a simple IRA plan whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length of service requirements. Employees may elect to defer up to \$10,500 of their yearly compensation. The Organization makes matching contributions of 3% of compensation not to exceed \$10,000 in matching the amount. The Organization contributions to the plan for the years ended December 31, 2007 and 2006 were \$3,824 and \$3,210, respectively.

8. Tenant at Will

The Organization occupies its office facilities located in Burlington, Massachusetts as a tenant at will. Rental expense, including common area expenses, was \$7,200 for the years ended December 31, 2007 and 2006.

9. Commitments and Contingencies

Donations often require the fulfillment of certain conditions as set forth in the actual donation. Failure to fulfill the conditions could result in the return of funds to the donors. Although the return of funds is a possibility, the Board of Directors deems the contingency unlikely, since by accepting the gifts and their terms, it has made a commitment to fulfill the provisions of the gift.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$20,000 at December 31, 2007 are restricted to providing financial assistance to individuals afflicted with Neurofibromatosis.

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. There was no change in the reported change in net assets.