

**National Fragile X Foundation**

Financial Statements  
and Independent Auditors' Report

December 31, 2016 and 2015

# National Fragile X Foundation

Financial Statements  
December 31, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
National Fragile X Foundation

We have audited the accompanying financial statements of National Fragile X Foundation ("National Fragile X"), which comprise the statement of financial position as of December 31, 2016, the related statements of activities 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 controls 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 of 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 National Fragile X as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The financial statements of National Fragile X as of December 31, 2015 (prior to the restatements described in Note 3 to the financial statements), were audited by other auditors whose report, dated May 10, 2016, expressed an unmodified opinion on those statements.

As part of our audit of the financial statements of National Fragile X for the year ended December 31, 2016, we also audited the adjustments described in Note 3 that were applied to restate the financial statements for the year ended December 31, 2015. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of National Fragile X for the year ended December 31, 2015, other than with respect to the adjustments; accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2015, taken as a whole.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information for the year ended December 31, 2015 on page 16 was subjected to the auditing procedures applied in the audit of the basic financial statements by other independent auditors, whose report, dated May 10, 2016, indicated that such information is fairly stated in all material respects to the basic statements as a whole.



Vienna, Virginia  
August 21, 2017

## National Fragile X Foundation

### Statements of Financial Position December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 702,162	\$ 522,928
Accounts receivable	47,820	117,524
Pledges receivable, net	311,213	-
Prepaid expenses	2,623	28,353
Property and equipment, net	3,924	8,327
	<u>1,067,742</u>	<u>677,132</u>
Total assets	<u>\$ 1,067,742</u>	<u>\$ 677,132</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 60,205	\$ 40,166
	<u>60,205</u>	<u>40,166</u>
Total liabilities	<u>60,205</u>	<u>40,166</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	270,496	46,011
Board-designated	516,478	375,385
	<u>786,974</u>	<u>421,396</u>
Temporarily restricted	220,563	215,570
	<u>1,007,537</u>	<u>636,966</u>
Total net assets	<u>1,007,537</u>	<u>636,966</u>
Total liabilities and net assets	<u>\$ 1,067,742</u>	<u>\$ 677,132</u>

See accompanying notes.

## National Fragile X Foundation

### Statement of Activities For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 1,068,171	\$ 134,776	\$ 1,202,947
Conferences and meetings	476,031	-	476,031
Receipts from CSN groups	210,098	-	210,098
Donated goods	46,971	-	46,971
Membership dues	21,420	-	21,420
Fees for services	19,330	-	19,330
Educational sales	21,256	-	21,256
Interest income	797	-	797
Other income	7,900	-	7,900
Released from restrictions	129,783	(129,783)	-
	<u>2,001,757</u>	<u>4,993</u>	<u>2,006,750</u>
<b>Expenses</b>			
Program services	1,303,375	-	1,303,375
Supporting services:			
Management and general	254,236	-	254,236
Fundraising	78,568	-	78,568
	<u>332,804</u>	<u>-</u>	<u>332,804</u>
Total supporting services	<u>332,804</u>	<u>-</u>	<u>332,804</u>
Total expenses	<u>1,636,179</u>	<u>-</u>	<u>1,636,179</u>
<b>Change in Net Assets</b>	365,578	4,993	370,571
<b>Net Assets</b> , beginning of year as restated	<u>421,396</u>	<u>215,570</u>	<u>636,966</u>
<b>Net Assets</b> , end of year	<u>\$ 786,974</u>	<u>\$ 220,563</u>	<u>\$ 1,007,537</u>

See accompanying notes.

## National Fragile X Foundation

### Statement of Activities For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 1,004,058	\$ 104,925	\$ 1,108,983
Conferences and meetings	3,675	-	3,675
Receipts from CSN groups	248,803	-	248,803
Membership dues	8,296	-	8,296
Fees for services	21,839	-	21,839
Educational sales	1,912	-	1,912
Interest income	209	-	209
Other income	2,927	-	2,927
Released from restrictions	56,927	(56,927)	-
	<u>1,348,646</u>	<u>47,998</u>	<u>1,396,644</u>
<b>Expenses</b>			
Program services	991,427	-	991,427
Supporting services:			
Management and general	250,266	-	250,266
Fundraising	107,337	-	107,337
	<u>357,603</u>	<u>-</u>	<u>357,603</u>
Total supporting services	<u>357,603</u>	<u>-</u>	<u>357,603</u>
Total expenses	<u>1,349,030</u>	<u>-</u>	<u>1,349,030</u>
<b>Change in Net Assets</b>	(384)	47,998	47,614
<b>Net Assets</b> , beginning of year as restated	<u>421,780</u>	<u>167,572</u>	<u>589,352</u>
<b>Net Assets</b> , end of year as restated	<u>\$ 421,396</u>	<u>\$ 215,570</u>	<u>\$ 636,966</u>

See accompanying notes.

## National Fragile X Foundation

### Statements of Cash Flows For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 370,571	\$ 47,614
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,200	5,473
Change in discount on pledges receivable	11,287	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	69,704	(61,757)
Pledges receivable	(322,500)	-
Prepaid expenses	25,730	(15,080)
Deposits	-	2,500
Increase in:		
Accounts payable and accrued expenses	20,039	16,080
Net cash provided by (used in) operating activities	180,031	(5,170)
<b>Cash Flows from Investing Activity</b>		
Purchases of property and equipment	(797)	(1,837)
Net cash used in investing activity	(797)	(1,837)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	179,234	(7,007)
<b>Cash and Cash Equivalents, beginning of year</b>	522,928	529,935
<b>Cash and Cash Equivalents, end of year</b>	\$ 702,162	\$ 522,928

*See accompanying notes.*

# National Fragile X Foundation

Notes to Financial Statements  
December 31, 2016 and 2015

## 1. Nature of Operations

National Fragile X Foundation (“National Fragile X”) was created and incorporated in 2001 as a California tax-exempt, nonprofit public benefit corporation. National Fragile X 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 FMR1 gene.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

National Fragile X’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

### Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of National Fragile X’s operations. Unrestricted net assets include both designated and Board-designated amounts.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of National Fragile X or by the passage of time.

### 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.

### Cash Equivalents

For the purpose of the statements of cash flows, National Fragile X 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.

## National Fragile X Foundation

Notes to Financial Statements  
December 31, 2016 and 2015

### 2. Summary of Significant Accounting Policies (continued)

#### Accounts Receivable

National Fragile X's accounts receivable are all due in less than one year and are recorded at net realizable value. National Fragile X 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 uncollectability of accounts outstanding. All receivables were deemed fully collectible, and no allowance for uncollectible accounts was established at December 31, 2016 and 2015.

#### Pledges Receivable

Pledges receivable represents unconditional amounts committed to National Fragile X. 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 3.5% at December 31, 2016. 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, 2016. There were no pledges receivable at December 31, 2015.

#### 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 is 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.

#### Revenue Recognition

Grants and contributions are recorded as revenue when received or promised. National Fragile X reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor or grantor stipulations that limit the use of the donated assets to one of National Fragile X's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

## National Fragile X Foundation

Notes to Financial Statements  
December 31, 2016 and 2015

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

National Fragile X offers annual memberships to qualifying individuals, which are based on a dues structure approved by the Board of Directors. The dues are recognized as revenue over the membership period, which is on a calendar year basis. Dues received in advance of the membership period are reported as deferred membership dues in the accompanying statements of financial position. At December 31, 2016 and 2015, there were no deferred membership dues.

Revenue from conferences, meetings, and fees for services is recognized as revenue in the period in which the activity takes place.

Revenue from all other sources is recognized when earned.

#### Donated Goods

Donated goods consist of various items contributed to National Fragile X to be given away at the conferences and meetings. These goods are recorded as in-kind contributions in the accompanying statements of activities at their estimated fair value at the date of receipt. Donated auction items are recorded at their estimated fair value at the date of donation and are subsequently adjusted based on the proceeds received. Donated goods for the years ended December 31, 2016 and 2015 were \$46,971 and \$0, respectively.

#### Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

## **National Fragile X Foundation**

Notes to Financial Statements  
December 31, 2016 and 2015

### **2. Summary of Significant Accounting Policies (continued)**

#### Functional Allocation of Expenses

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

#### Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on the change in net assets previously reported.

#### Subsequent Events

In preparing these financial statements, National Fragile X has evaluated events and transactions for potential recognition or disclosure through August 21, 2017, the date the financial statements were available to be issued.

### **3. Prior Period Adjustments**

The accompanying financial statements for the year ended December 31, 2015 have been restated to correct the activity of the receipts and payments related to the Community Support Network (CSN) groups, as described in Note 7, and the classification of the previously recorded liability to the CSN groups as net assets at January 1, 2015. These adjustments were a result of reevaluating the nature of the relationship between National Fragile X and the CSN groups.

The result of the restatement included the addition of a Board-designated net assets account to reflect the net asset amounts designated for the affiliated CSN groups, rather than as a liability, at the beginning of the year in the amount of \$213,223.

Additionally, the result of the restatement during the year ended December 31, 2015 to correct receipts for the CSN groups and payments on behalf of the CSN groups increased revenues by \$68,950 and increased expenses by \$2,316. The net surplus of \$162,162 increased the balance of the Board-designated net assets by \$95,528 at December 31, 2015, resulting in a balance of \$375,385.

## National Fragile X Foundation

Notes to Financial Statements  
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### 4. Concentration of Credit Risk

Financial instruments that potentially subject National Fragile X to significant concentrations of credit risk consist of cash and cash equivalents. National Fragile X maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). National Fragile X 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.

### 5. Pledges Receivable

Pledges receivable are promised as follows at December 31:

	2016	2015
Due in less than one year	\$ 97,500	\$ -
Due in one to five years	225,000	-
Total pledges receivable	322,500	-
Unamortized discount on receivables	(11,287)	-
Pledges receivable, net	\$ 311,213	\$ -

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	2016	2015
Office equipment	\$ 5,794	\$ 9,661
Software and website	18,900	18,900
Total property and equipment	24,694	28,561
Less: accumulated depreciation and amortization	(20,770)	(20,234)
Property and equipment, net	\$ 3,924	\$ 8,327

## **National Fragile X Foundation**

Notes to Financial Statements  
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### **7. Community Support Network Groups**

CSN is the national volunteer program of National Fragile X, comprised of 46 groups organized and run by parent volunteers. All of the groups share a common mission with National Fragile X, 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 National Fragile X provides managed account services, including processing event proceeds, online registrations, and expense payments; and providing interval reporting. National Fragile X 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 National Fragile X, and all accounts of these groups are included in the accompanying financial statements.

Total revenue and expenses generated by the affiliated CSN groups amounted to \$210,098 and \$69,005 for the year ended December 31, 2016, respectively, and \$248,803 and \$86,641 for the year ended December 31, 2015, respectively, which are included in the accompanying statements of activities. Board-designated amounts consist of internally-designated funds for the affiliated CSN groups. These amounts were \$516,478 and \$375,385 at December 31, 2016 and 2015, respectively, and are included in the accompanying statements of financial position.

### **8. Line of Credit**

National Fragile X has a revolving line of credit with a bank with an available balance of \$50,000. When utilized, the loan bears interest at a specific margin above the bank's prime rate of interest. The line was not utilized during the years ended December 31, 2016 and 2015, and there was no amount outstanding at December 31, 2016 and 2015.

### **9. Commitments**

#### Hotel Contracts

National Fragile X has entered into agreements with hotels to provide conference room facilities and room accommodations for future meetings and events through 2018. The agreements contain various attrition clauses whereby National Fragile X may be liable for liquidated damages in the event of cancellation or lower than anticipated attendance.

## National Fragile X Foundation

Notes to Financial Statements  
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### 9. Commitments (continued)

#### Hotel Contracts (continued)

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

### 10. Management Fees

National Fragile X utilizes the services of a management firm, Neosystems Corp. Management fees represent amounts paid to Neosystems Corp. for management services, accounting services, other professional services, and other resources. Management fees paid to Neosystems Corp. for the years ended December 31, 2016 and 2015 totaled \$54,755 and \$91,685, respectively.

### 11. Net Assets

#### Board-Designated Net Assets

National Fragile X's Board of Directors has internally designated a portion of unrestricted net assets for the purpose of the affiliated CSN groups at December 31, 2016 and 2015 for \$516,478 and \$375,385, respectively.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Program projects	\$ 167,639	\$ 112,296
Research	<u>52,924</u>	<u>103,274</u>
Total temporarily restricted net assets	<u>\$ 220,563</u>	<u>\$ 215,570</u>

### 12. Retirement Plan

National Fragile X 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.

## **National Fragile X Foundation**

Notes to Financial Statements  
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### **12. Retirement Plan (continued)**

National Fragile X may make discretionary contributions to the plan, but did not make any contributions for the years ended December 31, 2016 and 2015.

### **13. Income Taxes**

National Fragile X 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 years ended December 31, 2016 and 2015, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to National Fragile X are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated National Fragile X's tax positions and concluded that National Fragile X's financial statements do not include any uncertain tax positions.

**SUPPLEMENTARY INFORMATION**

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## National Fragile X Foundation

### Schedule of Functional Expenses For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Bank and credit card fees	\$ 14,058	\$ 12,470	\$ -	\$ 26,528
Conferences	351,617	-	-	351,617
Depreciation and amortization	-	5,200	-	5,200
Fundraising and marketing	-	-	41,920	41,920
Grants, awards, and research expenses	67,491	-	-	67,491
Insurance	8,242	1,545	515	10,302
Miscellaneous	-	10,659	-	10,659
Outside and professional fees	183,670	81,893	-	265,563
Payments to CSN groups	69,005	-	-	69,005
Postage and shipping	5,341	1,001	334	6,676
Printing and reproduction	1,869	-	-	1,869
Programs and events	21,373	7,568	-	28,941
Salaries, taxes, and related benefits	500,985	93,935	31,312	626,232
Software licenses and maintenance	-	16,415	-	16,415
Supplies and office	6,756	1,267	422	8,445
Telephone, internet, and technology	17,358	399	4,065	21,822
Travel, meals, and entertainment	55,610	21,884	-	77,494
<b>Total Expenses</b>	<b>\$ 1,303,375</b>	<b>\$ 254,236</b>	<b>\$ 78,568</b>	<b>\$ 1,636,179</b>

## National Fragile X Foundation

### Schedule of Functional Expenses For the Year Ended December 31, 2015

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Bank and credit card fees	\$ -	\$ 11,707	\$ -	\$ 11,707
Depreciation and amortization	-	5,473	-	5,473
Equipment rental and repairs	-	959	-	959
Fundraising and marketing	-	-	37,698	37,698
Grants, awards, and research expenses	19,135	-	-	19,135
Insurance	5,362	1,005	335	6,702
Miscellaneous	-	14,583	-	14,583
Outside and professional fees	278,043	91,494	-	369,537
Payments to CSN groups	86,641	-	-	86,641
Postage and shipping	5,818	1,091	364	7,273
Printing and reproduction	1,848	7,390	-	9,238
Programs and events	9,338	-	37,058	46,396
Rent	4,056	761	254	5,071
Salaries, taxes, and related benefits	472,733	88,638	29,546	590,917
Software licenses and maintenance	12,391	-	-	12,391
Supplies and office	22,620	4,241	1,414	28,275
Telephone, internet, and technology	10,679	2,003	668	13,350
Travel, meals, and entertainment	62,763	20,921	-	83,684
<b>Total Expenses</b>	<b>\$ 991,427</b>	<b>\$ 250,266</b>	<b>\$ 107,337</b>	<b>\$ 1,349,030</b>