

**NEUROFIBROMATOSIS MIDWEST
ST. CHARLES, ILLINOIS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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KOLNICKI



PETERSON



WIRTH

Board of Directors
Neurofibromatosis Midwest
St. Charles, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Neurofibromatosis Midwest (a non-profit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

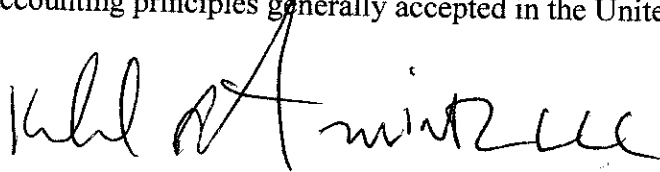
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Neurofibromatosis Midwest as of September 30, 2017 and 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.



KOLNICKI, PETERSON, WIRTH LLC
Certified Public Accountants

Downers Grove, Illinois
February 19, 2018

NEUROFIBROMATOSIS MIDWEST
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

Statement 1

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 138,421	\$ 164,794
Cash - restricted	1,664	-
Investments	<u>204,258</u>	<u>202,928</u>
Total current assets	<u>344,343</u>	<u>367,722</u>
OTHER ASSETS		
Security deposit	<u>1,100</u>	<u>1,100</u>
Total other assets	<u>1,100</u>	<u>1,100</u>
Total assets	<u><u>\$ 345,443</u></u>	<u><u>\$ 368,822</u></u>
CURRENT LIABILITIES		
Accounts payable	\$ 6,769	\$ 12,929
Accrued payroll	<u>2,696</u>	<u>1,916</u>
Total current liabilities	<u>9,465</u>	<u>14,845</u>
NET ASSETS		
Unrestricted:		
Undesignated	97,149	85,676
Board designated	237,165	268,301
Temporarily restricted	<u>1,664</u>	<u>-</u>
Total net assets	<u>335,978</u>	<u>353,977</u>
Total liabilities and net assets	<u><u>\$ 345,443</u></u>	<u><u>\$ 368,822</u></u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**NEUROFIBROMATOSIS MIDWEST
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	Unrestricted Net Assets			Total Net Assets
	Unrestricted	Board Designated	Temporarily Restricted	
Balance - October 1, 2016	\$ 107,839	\$ 232,500	\$ -	\$ 340,339
Change in Net Assets	(22,163)	35,801	-	13,638
Balance - September 30, 2016	85,676	268,301	-	353,977
Change in Net Assets	11,473	(31,136)	1,664	(17,999)
Balance - September 30, 2017	\$ 97,149	\$ 237,165	\$ 1,664	\$ 335,978

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**NEUROFIBROMATOSIS MIDWEST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Grants	\$ -	\$ 20,000	\$ 20,000
Special events	187,101	-	187,101
Contributions	64,680	-	64,680
Other income	4,151	-	4,151
Net assets released from restrictions	18,336	(18,336)	-
Total revenues	<u>274,268</u>	<u>1,664</u>	<u>275,932</u>
EXPENSES			
Program services	220,116	-	220,116
Management and general	27,230	-	27,230
Fundraising	36,335	-	36,335
Lobbying	10,250	-	10,250
Total expenses	<u>293,931</u>	<u>-</u>	<u>293,931</u>
Net expenses over revenue	<u>\$ (19,663)</u>	<u>\$ 1,664</u>	<u>\$ (17,999)</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**NEUROFIBROMATOSIS MIDWEST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Grants	\$ -	\$ -	\$ -
Special events	213,085	-	213,085
Contributions	71,635	-	71,635
Other income	10,231	-	10,231
Net assets released from restrictions	-	-	-
Total revenues	<u>294,951</u>	<u>-</u>	<u>294,951</u>
EXPENSES			
Program services	218,385	-	218,385
Management and general	21,401	-	21,401
Fundraising	31,277	-	31,277
Lobbying	10,250	-	10,250
Total expenses	<u>281,313</u>	<u>-</u>	<u>281,313</u>
Net expenses over revenue	<u>\$ 13,638</u>	<u>\$ -</u>	<u>\$ 13,638</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

	2017				2016			
	Program Services	Management & General	Fund-raising	Total	Program Services	Management & General	Fund-raising	Total
OPERATING EXPENSES								
Advertising and awareness expense	\$ 836	\$ -	\$ -	\$ 836	\$ 669	\$ -	\$ -	\$ 669
Bank and credit card fees	2,134	712	712	3,558	2,699	900	900	4,499
Camp	12,500	-	-	12,500	-	-	-	-
Direct patient support	637	-	-	637	-	-	-	-
NF education	9,943	-	-	9,943	-	-	-	-
Grants	49,136	-	-	49,136	44,970	-	-	44,970
Great Steps event expense	14,062	2,300	7,012	23,374	11,569	-	7,300	18,869
Insurance	1,534	511	511	2,556	1,765	589	589	2,943
Meeting expense	315	-	-	315	209	-	-	209
Merchandise expense	2,150	-	-	2,150	976	-	-	976
Miscellaneous expenses	715	309	110	1,134	1,351	-	-	1,351
Office expense	6,260	2,086	2,086	10,432	5,114	-	-	5,114
Occupancy	11,056	1,382	1,382	13,820	12,300	-	2,000	14,300
Professional fees	3,972	981	981	5,934	4,700	-	-	4,700
Payroll taxes	6,893	1,543	1,851	10,287	4,769	4,769	-	9,538
Postage	1,218	300	650	2,168	864	432	432	1,728
Repairs and maintenance	-	-	-	-	2,006	-	-	2,006
Salaries	72,459	16,222	19,466	108,147	94,470	13,985	14,935	123,390
Scholarships	13,978	-	-	13,978	-	-	-	-
Special event expenses	1,035	-	1,034	2,069	-	-	-	-
Supplies	-	-	-	-	6,160	-	4,818	10,978
Symposium	-	-	-	-	1,249	197	197	1,643
Technology	3,754	460	-	4,674	8,229	-	-	8,229
Telephone	1,910	350	460	2,660	8,719	-	-	8,719
Travel	3,159	-	-	3,159	1,692	350	-	2,042
Workers Compensation	460	74	80	614	3,485	-	-	3,485
					420	179	106	705
Total operating expenses	\$ 220,116	\$ 27,230	\$ 36,335	\$ 283,681	\$ 218,385	\$ 21,401	\$ 31,277	\$ 271,063

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**NEUROFIBROMATOSIS MIDWEST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (17,999)	\$ 13,638
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized loss on investments	2,957	-
Changes in operating assets and liabilities:		
Decrease in pledges receivable	-	2,000
(Decrease) increase in accounts payable	(6,160)	8,677
Increase (decrease) in accrued expenses	780	(684)
	<u>(20,422)</u>	<u>23,631</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(4,287)</u>	<u>(66,299)</u>
	<u>(4,287)</u>	<u>(66,299)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,709)	(42,668)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>164,794</u>	<u>207,462</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 140,085</u>	<u>\$ 164,794</u>

These financial statements should be read only in
connection with the accompanying summary of significant
accounting policies and notes to financial statements.

**NEUROFIBROMATOSIS MIDWEST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
SEPTEMBER 30, 2017 AND 2016**

Neurofibromatosis Midwest (the Organization) is a not-for-profit organization incorporated under the laws of Illinois, and established exclusively for charitable purposes. The Organization provides people with neurofibromatosis, and their families, with information about the disorder and helps them locate medical, social and genetic counseling. The Organization acts as an information source for physicians, health workers and the general public on neurofibromatosis and related disorders, and stimulates and supports scientific research on the cause, prevention and treatment of neurofibromatosis.

ACCOUNTING METHOD

Contribution revenue is recognized when the Organization is notified of the existence of a pledge or receives a contribution. The contributions are recognized as income in the period to which they relate. Expenses are recognized in the period in which the related liability is incurred.

CASH AND CASH EQUIVALENTS

The Organization considers all liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

PLEDGES RECEIVABLE

Pledges receivable are presented at the fair value of the promises and are estimated by management to be fully collectable.

DONATED SERVICES

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by people with those skills, and would otherwise be purchased by the Organization. During the years ended September 30, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

NET ASSET CLASSIFICATIONS

The financial statements have been prepared in accordance with FASB Accounting Standards Codification FASB (ASC) No. 958-210-45-9, *Not-for-Profit Entities, Balance Sheet*. FASB (ASC) No. 958-210-45-9 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted.

The unrestricted net asset balance consists of undesignated net assets, and net assets designated by the Board of Directors. The undesignated portion consists of amounts expendable for annual maintenance, preservation and administration of the Organization. Designated funds may be expended only for programs or purposes designated by the Board of Directors.

**NEUROFIBROMATOSIS MIDWEST
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
SEPTEMBER 30, 2017 AND 2016**

INCOME TAXES

The Internal Revenue Service has ruled that the Organization is exempt from the payment of federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code as an educational and charitable organization.

The Financial Accounting Standards Board (FASB) issued ASC 740-10-05 "Accounting for Uncertainty in Income Taxes" that clarified the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization adopted the standard in 2010.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2013 through 2015. In evaluating the Organization's tax provisions and accruals, future taxable income and the reversal of temporary differences, interpretations of tax planning strategies are considered. The Organization believes their estimates are based on current facts and circumstances.

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 reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

INVESTMENTS

The Organization is required to provide additional information in the financial statements, based on the implementation of the FASB Accounting Standards Codification FASB (ASC) No. 820-10-35-1: *Fair Value Measurements and Disclosures*. This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurement.

INVENTORIES

Inventories consist of informational supplies and are stated at the lower of cost or market determined by the first-in, first-out method.

DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through the date of this report and the date the financial statements were available to be issued was February 19, 2018.

This information is an integral part
of the accompanying financial statements.

**NEUROFIBROMATOSIS MIDWEST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 – NET ASSETS**UNRESTRICTED NET ASSETS – BOARD DESIGNATED**

In 2006, the Board of Directors established a designated fund for donations to the Organization. In 2016, the Board designated funds in the amount of \$62,272 to the research fund. Board Designated Net Assets totaled \$237,165 and \$268,301 as of September 30, 2017 and 2016, respectively.

NOTE 2 - INVESTMENTS

Investments consist of the following:

	<u>September 30, 2017</u>		<u>September 30, 2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Brokerage acct. mutual funds	\$ 207,215	\$ 204,258	\$ 204,928	\$ 202,928
Totals	<u>\$ 207,215</u>	<u>\$ 204,258</u>	<u>\$ 202,928</u>	<u>\$ 202,928</u>

The following schedule summarizes the investment return and its classification in the statement of financial position and activities for the years ended September 30, 2017 and 2016:

	<u>2017</u> <u>Undesignated</u>	<u>2016</u> <u>Undesignated</u>
Dividend and interest (net of expenses of \$0 for 2016 and 2015)	\$ 4,287	\$ 2,449
Unrealized loss	<u>(2,957)</u>	<u>---</u>
Total return on investments	<u>\$ 1,330</u>	<u>\$ 2,449</u>

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2017, the Organization's uninsured balance was zero.

The Organization maintains its investments in a brokerage firm located in Maryland. The balances are insured by the Securities Investor Protection Corporation up to \$500,000. At September 30, 2017, the Organization's uninsured balance was zero.

**NEUROFIBROMATOSIS MIDWEST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 4 –FAIR VALUE MEASUREMENTS

The Organization’s assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB (ASC) No. 820-10-35-1. See Note 2 – Investments for additional information on the Organization’s investment policies.

	Significant Other Observable Inputs <u>(Level 2)</u>	Balance as of <u>Sept. 30, 2017</u>
Assets		
Investments in mutual funds, at fair value	<u>\$ 204,258</u>	<u>\$ 204,258</u>

	Significant Other Observable Inputs <u>(Level 2)</u>	Balance as of <u>Sept. 30, 2016</u>
Assets		
Investments in mutual funds, at fair value	<u>\$ 202,928</u>	<u>\$ 202,928</u>

FASB Accounting Standards Codification (ASC) No. 820-10-35-1: Fair Value Measurement and Disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three board levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed on market data. Level 2 inputs were only used when Level 1 inputs were not available.

Level 2 fair measurements: the fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end.

**NEUROFIBROMATOSIS MIDWEST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 5 - LEASE AGREEMENTS

The Organization leases its current office space under an operating lease which was renewed until January 31, 2017. This lease calls for base monthly payments of \$1,122. Total rent expense under this lease was \$13,200 and \$12,276 for 2017 and 2016, respectively. Future minimum lease payments are as follows:

2018	\$ 13,464
2019	13,464
2020	<u>5,610</u>
Total	<u>\$ 32,538</u>

NOTE 6 – CASH FLOW INFORMATION

The Organization paid no cash for interest or income taxes during 2017 and 2016.

This information is an integral part
of the accompanying financial statements.