

**NEUROFIBROMATOSIS MIDWEST**  
**ST. CHARLES, ILLINOIS**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

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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, 2018 and 2017, and the related statements of activities, 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

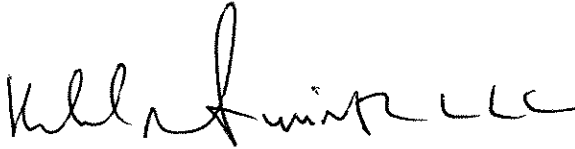
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2018 and 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.



KOLNICKI, PETERSON, WIRTH LLC  
Certified Public Accountants

Downers Grove, Illinois  
March 4, 2019

**NEUROFIBROMATOSIS MIDWEST  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017**

Statement 1

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 78,118	\$ 140,085
Investments	<u>217,261</u>	<u>204,258</u>
Total current assets	<u>295,379</u>	<u>344,343</u>
<b>OTHER ASSETS</b>		
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>\$ 296,479</u></u>	<u><u>\$ 345,443</u></u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,957	\$ 6,769
Accrued payroll	<u>2,331</u>	<u>2,696</u>
Total current liabilities	<u>13,288</u>	<u>9,465</u>
<b>NET ASSETS</b>		
Unrestricted:		
Without donor restrictions	283,191	334,314
With donor restrictions	<u>-</u>	<u>1,664</u>
Total net assets	<u>283,191</u>	<u>335,978</u>
Total liabilities and net assets	<u><u>\$ 296,479</u></u>	<u><u>\$ 345,443</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  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Special events	\$ 157,240	\$ -	\$ 157,240
Contributions	117,391	-	117,391
Other income	4,832	-	4,832
Grant	-	20,000	20,000
Net assets released from restrictions:			
Restrictions satisfied by payments	21,664	(21,664)	-
 Total revenues	 <u>301,127</u>	 <u>(1,664)</u>	 <u>299,463</u>
<b>EXPENSES</b>			
Program services	260,290	-	260,290
Management and general	34,762	-	34,762
Fundraising	46,948	-	46,948
Lobbying expense	10,250	-	10,250
 Total expenses	 <u>352,250</u>	 <u>-</u>	 <u>352,250</u>
 (Decrease) increase in net assets	 (51,123)	 (1,664)	 (52,787)
 Net assets, beginning of year	 <u>334,314</u>	 <u>1,664</u>	 <u>335,978</u>
 Net assets, end of year	 <u>\$ 283,191</u>	 <u>\$ -</u>	 <u>\$ 283,191</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, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
Special events	\$ 187,101	\$ -	\$ 187,101
Contributions	64,680	-	64,680
Other income	4,151	-	4,151
Grant	-	20,000	20,000
Net assets released from restrictions:			
Restrictions satisfied by payements	18,336	(18,336)	-
 Total revenues	 274,268	 1,664	 275,932
<b>EXPENSES</b>			
Program services	220,116	-	220,116
Management and general	27,230	-	27,230
Fundraising	36,335	-	36,335
Lobbying expense	10,250	-	10,250
 Total expenses	 293,931	 -	 293,931
 (Decrease) increase in net assets	 (19,663)	 1,664	 (17,999)
 Net assets, beginning of year	 353,977	 -	 353,977
 Net assets, end of year	 \$ 334,314	 \$ 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  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

KOLNICKI PETERSON &amp; WIRTH, LLC

2017

2018

	2018			2017				
	Program Services	Management & General	Fund-raising	Total	Program Services	Management & General	Fund-raising	Total
<b>OPERATING EXPENSES</b>								
Advertising and awareness expense	\$ 2,608	\$ -	\$ -	\$ 2,608	\$ 836	\$ -	\$ -	\$ 836
Bank and credit card fees	1,125	1,227	1,182	3,534	2,134	712	712	3,558
Camp	12,737	-	-	12,737	12,500	-	-	12,500
Direct patient support	-	-	-	-	637	-	-	637
NF education	10,465	-	50	10,515	9,943	-	-	9,943
Grants	100,568	-	-	100,568	49,136	-	-	49,136
Special event expenses	14,032	15	12,620	26,667	14,062	2,300	7,012	23,374
Insurance	989	1,301	494	2,784	1,534	511	511	2,556
Meeting expense	258	-	-	258	315	-	-	315
Merchandise expense	2,426	-	-	2,426	2,150	-	-	2,150
Miscellaneous expenses	2,452	127	166	2,745	715	309	110	1,134
Office expense	6,109	1,477	1,873	9,459	6,260	2,086	2,086	10,432
Occupancy	10,698	2,237	2,237	15,172	11,056	1,382	1,382	13,820
Professional fees	5,800	750	1,750	8,300	3,972	981	981	5,934
Payroll taxes	7,691	2,528	2,591	12,810	6,893	1,543	1,851	10,287
Postage	2,052	613	201	2,866	1,218	300	650	2,168
Salaries	69,254	22,763	23,328	115,345	72,459	16,222	19,466	108,147
Scholarships	7,000	-	-	7,000	13,978	-	-	13,978
Special event expenses	-	-	-	-	1,035	-	1,034	2,069
Technology	825	978	24	1,827	3,754	460	460	4,674
Telephone	1,297	432	432	2,161	1,910	350	-	2,260
Travel	1,904	-	-	1,904	3,159	-	-	3,159
Workers Compensation	-	314	-	314	460	74	80	614
<b>Total operating expenses</b>	<b>\$ 260,290</b>	<b>\$ 34,762</b>	<b>\$ 46,948</b>	<b>\$ 342,000</b>	<b>\$ 220,116</b>	<b>\$ 27,230</b>	<b>\$ 36,335</b>	<b>\$ 283,681</b>

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (52,787)	\$ (17,999)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Unrealized loss on investments	7,235	2,957
Changes in operating assets and liabilities:		
(Decrease) increase in accounts payable	4,188	(6,160)
Increase (decrease) in accrued expenses	<u>(365)</u>	<u>780</u>
Net cash used by operating activities	<u>(41,729)</u>	<u>(20,422)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	<u>(20,238)</u>	<u>(4,287)</u>
Net cash used by investing activities	<u>(20,238)</u>	<u>(4,287)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(61,967)	(24,709)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>140,085</u>	<u>164,794</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 78,118</u></u>	<u><u>\$ 140,085</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  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
SEPTEMBER 30, 2018 AND 2017**

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, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**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 2014 through 2016. 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.

**NEUROFIBROMATOSIS MIDWEST  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
SEPTEMBER 30, 2018 AND 2017**

**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.

**NEW ACCOUNTING PRONOUNCEMENT**

In August 2016, the Financial Standards Accounting Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early application permitted.

The accounting and disclosures in these financial statements and notes follow the applicable portions of ASU 2016-14.

**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 March 4, 2019.

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

**NEUROFIBROMATOSIS MIDWEST  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**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 \$211,597 and \$237,165 as of September 30, 2018 and 2017, respectively.

**NOTE 2 - INVESTMENTS**

Investments consist of the following:

	<u>September 30, 2018</u>		<u>September 30, 2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Brokerage acct. mutual funds	\$ 224,495	\$ 217,261	\$ 207,215	\$ 204,258
Totals	<u>\$ 224,495</u>	<u>\$ 217,261</u>	<u>\$ 207,215</u>	<u>\$ 204,258</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, 2018 and 2017:

	<u>2018</u> <u>Undesignated</u>	<u>2017</u> <u>Undesignated</u>
Dividends and interest	\$ 5,403	\$ 4,287
Unrealized loss	<u>(7,234)</u>	<u>(2,957)</u>
Total return on investments	<u>\$ (1,831)</u>	<u>\$ 1,330</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, 2018, 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, 2018, the Organization's uninsured balance was zero.

**NEUROFIBROMATOSIS MIDWEST  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**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, 2018</u>
<b>Assets</b>		
Investments in mutual funds, at fair value	\$ <u>217,261</u>	\$ <u>217,261</u>

	Significant Other Observable Inputs <u>(Level 2)</u>	Balance as of <u>Sept. 30, 2017</u>
<b>Assets</b>		
Investments in mutual funds, at fair value	\$ <u>204,258</u>	\$ <u>204,258</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, 2018 AND 2017**

**NOTE 5 - LEASE AGREEMENTS**

The Organization leases its current office space under an operating lease which was renewed until January 31, 2020. The Organization may extend the lease term for an additional three years to January 31, 2023 with the same terms. This lease calls for base monthly payments of \$1,122. Total rent expense under this lease was \$13,464 and \$13,200 for 2018 and 2017, respectively. Future minimum lease payments are as follows:

2019	\$ 13,464
2020	<u>4,488</u>
 Total	 <u>\$ 17,952</u>

**NOTE 6 – CASH FLOW INFORMATION**

The Organization paid no cash for interest or income taxes during 2018 and 2017.

**NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual, board, or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end:	
Cash and cash equivalents	\$ 78,118
Investment	217,261
Board designated	(211,597)
Restricted cash	<u>---</u>
 Total financial assets available to meet cash needs for general expenditures within one year	   <u>\$ 83,782</u>

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