

Rett Syndrome Research Trust, Inc.

Financial Statements

December 31, 2011



Rett Syndrome Research Trust, Inc.
December 31, 2011

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Report of Independent Auditor

To the Board of Trustees
Rett Syndrome Research Trust, Inc.

We have audited the accompanying statements of financial position of Rett Syndrome Research Trust, Inc. as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of the Organization. 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 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 audits provide 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 Rett Syndrome Research Trust, Inc. as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Statements of Functional Expense Allocation and Research Funded Expense Graphs, and the Research Awards and Grant Commitments and Payments Schedule are presented for purposes of additional analysis and are not a required part of the basic 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.

Michael J. Knight & Co.

Michael J. Knight & Company, CPAs
Fairfield, Connecticut
March 2, 2012

Rett Syndrome Research Trust, Inc.
Statements of Financial Position
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 3,588,070	\$ 1,982,176
Promises to give	261,220	84,179
Total current assets	3,849,290	2,066,355
Other assets		
Website, net of accumulated amortization of \$734	8,072	-
Total other assets	8,072	-
 Total assets	 \$ 3,857,362	 \$ 2,066,355
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 4,524	\$ 4,432
Grants payable	1,923,909	836,420
Accrued expenses	5,012	5,000
Total current liabilities	1,933,445	845,852
Other liabilities		
Grants payable	1,544,328	1,020,287
Total liabilities	3,477,773	1,866,139
Net assets		
Unrestricted	373,743	200,216
Temporarily restricted	5,846	-
Total net assets	379,589	200,216
 Total liabilities and net assets	 \$ 3,857,362	 \$ 2,066,355

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Statements of Activities
For the Years Ended December 31, 2011 and 2010

	<u>December 31, 2011</u>			<u>December 31, 2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues						
Contributions	\$ 3,527,380	\$ 340,382	\$ 3,867,762	2,008,243	\$ -	\$ 2,008,243
The Eva Fini Fund	146,000	-	146,000	151,808	-	151,808
Donated services and rent	8,000	-	8,000	8,000	-	8,000
Interest income	13,082	-	13,082	9,145	-	9,145
Net assets released from restriction	334,536	(334,536)	-	-	-	-
Total support and revenue	<u>4,028,998</u>	<u>5,846</u>	<u>4,034,844</u>	<u>2,177,196</u>	<u>-</u>	<u>2,177,196</u>
Expenses						
Program services	3,711,210	-	3,711,210	1,534,415	-	1,534,415
Supporting services:						
Management and general	16,748	-	16,748	15,554	-	15,554
Fundraising	127,513	-	127,513	54,601	-	54,601
Total expenses	<u>3,855,471</u>	<u>-</u>	<u>3,855,471</u>	<u>1,604,570</u>	<u>-</u>	<u>1,604,570</u>
Increase in net assets from operations	173,527	5,846	179,373	572,626	-	572,626
Net assets (deficit) - beginning of year	<u>200,216</u>	<u>-</u>	<u>200,216</u>	<u>(372,410)</u>	<u>-</u>	<u>(372,410)</u>
Net assets - end of year	<u>\$ 373,743</u>	<u>\$ 5,846</u>	<u>\$ 379,589</u>	<u>\$ 200,216</u>	<u>\$ -</u>	<u>\$ 200,216</u>

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Amortization	\$ 734	\$ -	\$ -	\$ 734
Awards and grants	3,563,944	-	-	3,563,944
Bank and credit card fees	8,160	1,020	1,020	10,200
Bookkeeping (**)	834	833	833	2,500
Fundraising	-	-	106,173	106,173
Graphic design	3,835	1	119	3,955
Miscellaneous	367	30	5,545	5,942
Office and supplies	1,770	1,540	221	3,531
Payroll taxes	5,762	720	720	7,202
Postage and shipping	3,868	484	484	4,836
Printing and publication	9,061	3	281	9,345
Professional fees (*)	2,705	2,704	2,704	8,113
Rent (**)	3,000	-	-	3,000
Salaries	72,547	9,068	9,068	90,683
Scientific meetings	12,583	-	-	12,583
Telephone	2,762	345	345	3,452
Travel - scientific meetings	17,254	-	-	17,254
Website and hosting	2,024	-	-	2,024
	<u>\$ 3,711,210</u>	<u>\$ 16,748</u>	<u>\$ 127,513</u>	<u>\$ 3,855,471</u>

(*) Includes \$2,500 of donated services.

(**) Includes donated services and rent.

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Amortization	\$ 7,500	\$ -	\$ -	\$ 7,500
Awards and grants	1,335,210	-	-	1,335,210
Bank and credit card fees	8,374	1,047	1,047	10,468
Bookkeeping (**)	834	833	833	2,500
Charitable donations	13,535	-	-	13,535
Fundraising	-	-	36,207	36,207
Miscellaneous	1,475	44	2,891	4,410
Office and supplies	2,655	570	332	3,557
Payroll taxes	6,457	807	807	8,071
Postage and shipping	3,040	380	380	3,800
Printing and publication	8,481	1	232	8,714
Professional fees (*)	2,677	2,676	2,676	8,029
Rent (**)	3,000	-	-	3,000
Salaries	70,980	8,873	8,873	88,726
Scientific meetings	47,003	-	-	47,003
Telephone	2,587	323	323	3,233
Travel - scientific meetings	19,638	-	-	19,638
Website and hosting	969	-	-	969
	<u>\$ 1,534,415</u>	<u>\$ 15,554</u>	<u>\$ 54,601</u>	<u>\$ 1,604,570</u>

(*) Includes \$2,500 of donated services.

(**) Includes donated services and rent.

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from (used in) operating activities		
Increase in net assets	\$ 179,373	\$ 572,626
Adjustments to reconcile decrease in net assets to cash from (used in) operating activities		
Amortization	734	7,500
Increase in promises to give	(177,041)	(31,322)
Increase in accounts payable	92	2,330
Increase in accrued expenses	12	-
Increase in grants payable	<u>1,611,530</u>	<u>430,401</u>
Net cash provided from operating activities	<u>1,614,700</u>	<u>981,535</u>
 Cash flows from investing activities		
Investment in website	<u>(8,806)</u>	<u>-</u>
	(8,806)	-
 Increase in cash	<u>1,605,894</u>	<u>981,535</u>
 Cash and cash equivalents - beginning of year	<u>1,982,176</u>	<u>1,000,641</u>
 Cash and cash equivalents - end of year	<u><u>\$ 3,588,070</u></u>	<u><u>\$ 1,982,176</u></u>

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Notes to Financial Statements
December 31, 2011
(See Report of Independent Auditor)

NOTE 1 – Organization

Rett Syndrome Research Trust, Inc. (the “Organization” and “RSRT”) is a non-for-profit organization formed under Internal Revenue Code 501(c)(3). The organization is focused on the development of treatments and cures for Rett Syndrome and related *MECP2* disorders. The Organization funds research projects and organizes and sponsors scientific workshops. Equally important, RSRT brings to the scientific community a deep knowledge of the disease and access to intellectual capital. It provides a comprehensive view of the field and a focus on translational efforts.

NOTE 2 – Significant Accounting Policies

Financial Statement Presentation

The Organization prepares its financial statements using guidelines established under Statement on Financial Accounting Standard Codification 958. This Standard requires that a non-profit organization provide information regarding the net assets of the organization based on the existence or absence of donor-imposed restrictions. The types of restrictions are described as follows:

Temporarily restricted net assets -The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor – imposed stipulations that either expire by passage of time or can be fulfilled by actions of the organization pursuant to those stipulations.

Permanently restricted net assets - The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor – imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization pursuant to those stipulations.

Unrestricted net assets- The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor- imposed stipulations.

The Organization does not maintain any permanently restricted net assets as of December 31, 2011.

Contributions

The Organization 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.

Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions can include depreciable lives of long-lived assets, allocation of

Rett Syndrome Research Trust, Inc.
Notes to Financial Statements
December 31, 2011
(See Report of Independent Auditor)

functional expenses and discount factors used to record long term grants payable to name a few. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts at various financial institutions across the State of Connecticut. Accounts are guaranteed by the FDIC up to \$250,000 per financial institution. As of December 31, 2011, the Organization has bank balances in excess of bank recorded cash balances and as a result all balances are uninsured. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk in maintaining accounts with the financial institutions.

Promise to Give and Allowance for Uncollectable Accounts

Promises to give are stated net of an allowance for doubtful accounts and valuation discount. The Organization estimates the allowance based on its historical experience of the relationship between actual bad debts and receivables. As of December 31, 2011, management believes that all promises are fully collectable.

Website Costs

Web-site costs are capitalized and amortized on the straight-line basis over the asset useful life, which is 2 years.

Donated Facilities and Services

The Organization records the value of donated facilities as revenue with an equivalent amount recorded as expense. The value of this donation is \$3,000 for the year ended December 31, 2011. Contributed services that create or enhance non-financial assets and require a specialized skill are reported as contributions at their fair value with a corresponding amount recorded as an expense.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Other expenses that are common to several functions are allocated based upon estimates made by management.

NOTE 3 – Income Taxes

The Organization has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements. Management of the Organization does not believe it has any uncertain tax positions. The Organization's tax returns remain open to examination by regulatory authorities from December 31, 2008.

NOTE 4 – Promises to Give

At December 31, 2011 and 2010, contributors to the Organization have unconditionally promised to give \$261,220 and \$84,179, respectively. All promises to give are due within one year.

Rett Syndrome Research Trust, Inc.
Notes to Financial Statements
December 31, 2011
(See Report of Independent Auditor)

NOTE 5 – Grants Payable

The Organization has committed to unconditional promises to give of \$3,502,807 and \$1,879,570 as of December 31, 2011 and 2010, respectively to various research organizations over the next several years. Long-term commitments have been discounted at 2% per annum which the Organization believes to be its risk free rate of return. The timing of future grants payable is as follows:

	<u>2011</u>	<u>2010</u>
Within one year	\$ 1,923,909	\$ 836,420
One to five years	1,578,898	1,043,150
More than five years	-	-
Subtotal	<u>3,502,807</u>	<u>1,879,570</u>
Less: present value component	(34,570)	(20,863)
Grants payable, net	<u><u>\$ 3,468,237</u></u>	<u><u>\$ 1,858,707</u></u>

Future funding of committed grants is predicated upon anticipated fundraising activities.

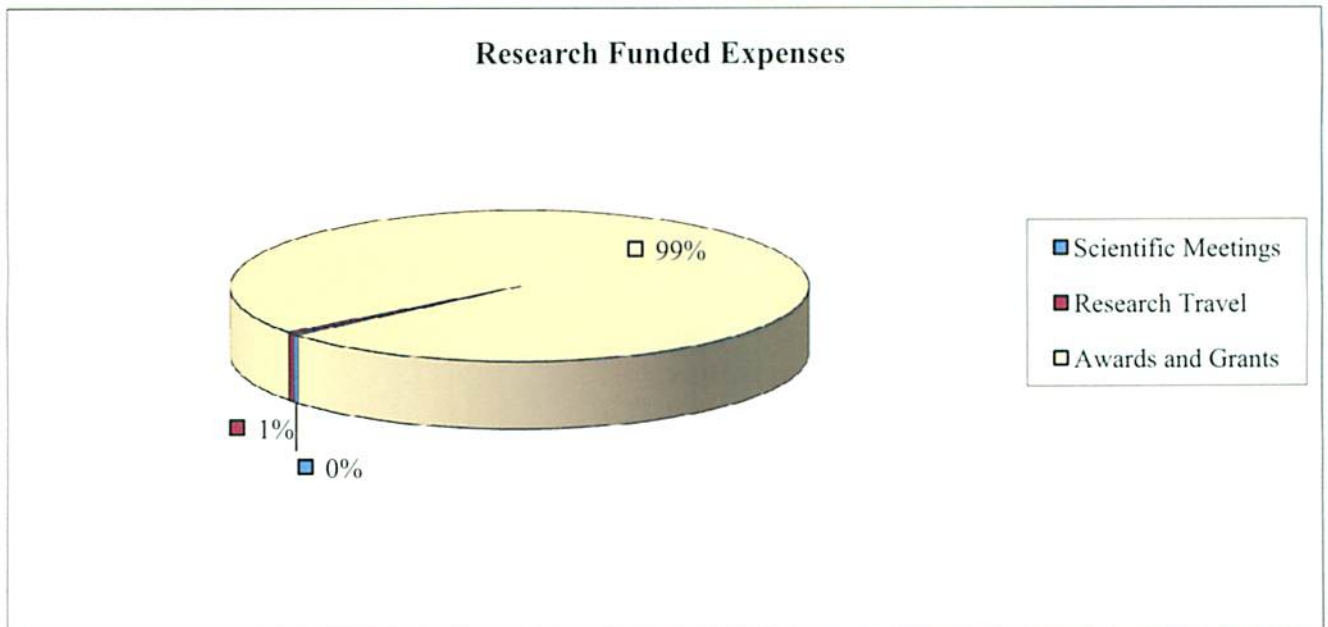
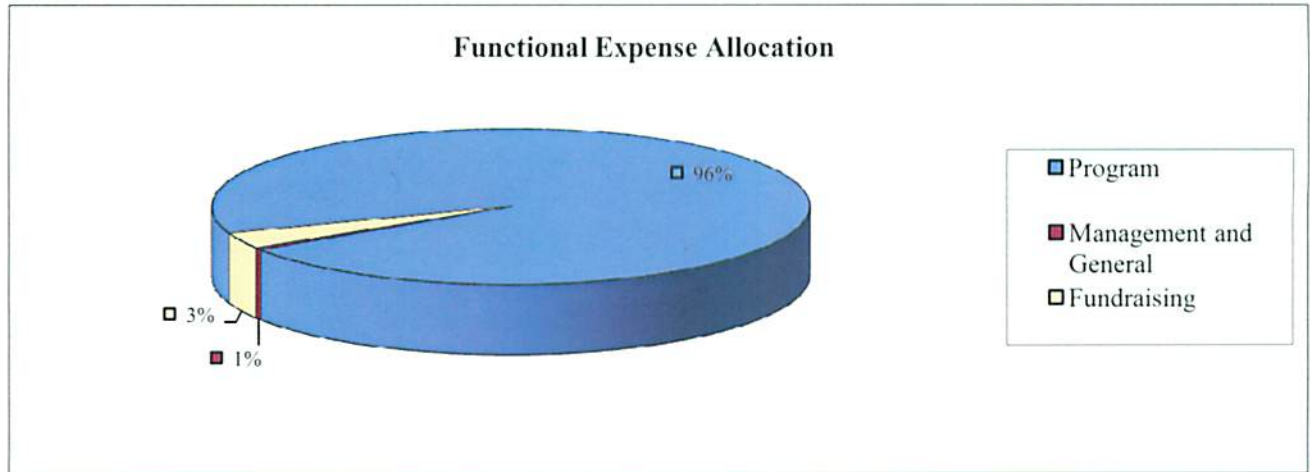
NOTE 6 – Concentrations

The Organization has several donors that have provided at least 10% of aggregate contributions for the year ended December 31, 2011.

NOTE 7 – Subsequent Events

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Association has evaluated subsequent events to the Statement of Financial Position date of December 31, 2011 through March 5, 2012, which is the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure.

Rett Syndrome Research Trust, Inc.
Supplemental Statement - Functional Expense Allocation and
Research Funded Expense Graphs
For the Year Ended December 31, 2011



See report of independent auditor.

Rett Syndrome Research Trust, Inc.
Supplemental Statement - Research Awards and Grant Commitments and Payments Schedule
For the Year Ended December 31, 2011

	<u>Commitment at December 31, 2010</u>	<u>Additional Commitments</u>	<u>Payments Against Commitments</u>	<u>Commitment at December 31, 2011</u>
Baylor College of Medicine - Monica Justice	\$ -	\$ 298,879	\$ (224,160)	\$ 74,719
Baylor College of Medicine - Huda Zoghbi	25,000	517,054	(76,691)	465,363
Fred Hutchinson Cancer Research Antonio Bedalov	187,500	-	(125,000)	62,500
University of Texas Southwest Medical Center Andrew Pieper	166,400	-	(166,400)	-
University of Edinburgh Adrian Bird	908,088	-	(230,000)	678,088
University of Pennsylvania Marisa Bartolomei	10,315	-	(10,315)	-
University of California at San Francisco Stavros Lomvardas	17,500	-	(17,500)	-
Ohio State University Brain Kaspar/Gail Mandel	13,750	-	(13,750)	-
University of Virginia Jonathan Kipnis	46,750	440,000	(211,750)	275,000
Weill Cornell Medical Center Ronald Crystal	504,267	-	(201,705)	302,562
OHSU John Bissonnette	-	15,147	(15,147)	-
MIT Mark Bear	-	85,896	(31,455)	54,441
University of North Carolina Benjamin Philpot	-	10,000	(10,000)	-
Harvard Jeffrey Macklis	-	35,352	(26,514)	8,838
Harvard Jeannie Lee	-	300,000	(25,000)	275,000
MECP2 Consortium	-	1,840,441	(534,145)	1,306,296
	<u>\$ 1,879,570</u>	<u>\$ 3,542,769</u>	<u>\$ (1,919,532)</u>	<u>\$ 3,502,807</u>

See report of independent auditor.