

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
International Foundation For CDKL5 Research
Houston, Texas

We have audited the accompanying financial statements of International Foundation For CDKL5 Research (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, 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 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 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 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.

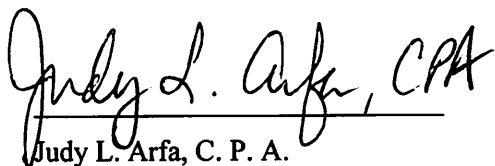
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Foundation For CDKL5 Research as of December 31, 2012, 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.

Other Matters

We have previously audited International Foundation For CDKL5 Research's 2011 financial statements, and our report dated July 25, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Judy L. Arfa, CPA". The signature is written in a cursive style and is positioned above a horizontal line.

Judy L. Arfa, C. P. A.

Houston, Texas

July 26, 2013

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 509,078	\$ 332,784
Amounts due from donors	10,000	25,000
Investments - short-term	13,403	5,852
Total assets	<u>\$ 532,481</u>	<u>\$ 363,636</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 970	\$ 0
Due to research foundations	25,000	25,000
Total Liabilities	<u>25,970</u>	<u>25,000</u>
Net Assets:		
Unrestricted:		
Undesignated	496,511	318,636
Temporarily restricted	10,000	45,000
Total Net Assets	<u>506,511</u>	<u>363,636</u>
Total Liabilities and Net Assets	<u>\$ 532,481</u>	<u>\$ 388,636</u>

See accompanying notes to financial statements.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Unrestricted	Temporarily Restricted	Totals 2012	Totals 2011
Revenue, Gains, and Other Support				
Merchandise sales	\$ 5,695	\$	\$ 5,695	\$ 5,467
Cost of goods sold	(2,320)		(2,320)	(5,869)
Net	<u>3,375</u>		<u>3,375</u>	<u>(402)</u>
Contributions	201,671	10,000	211,671	259,274
Contributions in-kind	334,253		334,253	13,981
Special events	77,761		77,761	60,771
Membership fees	800		800	860
Investment revenue	5,450		5,450	2,479
Net assets released from restrictions	45,000	(45,000)	0	
Total Revenue, Gains, and Other Support	<u>668,310</u>	<u>(35,000)</u>	<u>633,310</u>	<u>336,963</u>
Expenses				
Program service expenses	329,197		329,197	3,426
Research grants	140,000		140,000	100,500
Supporting services	4,298		4,298	2,237
Fundraising	16,940	0	16,940	9,763
Total Expenses	<u>490,435</u>		<u>490,435</u>	<u>115,925</u>
Increase (decrease) in net assets	<u>177,875</u>	<u>(35,000)</u>	<u>142,875</u>	<u>221,038</u>
Net assets, beginning of year	<u>318,636</u>	<u>45,000</u>	<u>363,636</u>	<u>142,598</u>
Net assets, end of year	<u>\$ 496,511</u>	<u>\$ 10,000</u>	<u>\$ 506,511</u>	<u>\$ 363,636</u>

See accompanying notes to financial statements.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR 2011

	Program Service Expenses	Research Grants	Supporting Services	Fundraising	2012 Totals	2011 Totals
Expenses						
Postage	1,410				1,410	414
Printing	190				190	17
Supplies	494			831	1,325	123
Telephone						21
Conferences	4,629				4,629	1,000
Insurance	1,308		262	646	2,216	1,885
Value-volunteer hours*	320,000				320,000	171
Research grants		140,000			140,000	100,500
Business expenses			19		19	42
Business registration			278		278	345
Professional fees	450				450	485
In-kind expenses ***				10,224	10,224	9,009
Bank charges			614		614	761
Accounting fees			3,125		3,125	900
Advertising				786	786	0
Gifts-Volunteers	194				194	0
Catering				4,453	4,453	0
Operations	522				522	252
Total Expenses	329,197	140,000	4,298	16,940	490,435	115,925

* See page 12, Note 4

*** Fundraising events

See notes to financial statements.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 142,875	\$ 221,038
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Fees paid on investments	25	0
Unrealized (gain) loss on investments	(3,344)	0
(Increase) Decrease in grants receivable	15,000	(25,000)
Increase (Decrease) in accounts payable	970	
Increase (Decrease) in amounts due to research foundations	25,000	0
Net Cash Provided (Used) by Operating Activities	<u>180,526</u>	<u>196,038</u>
Cash Flows From Investing Activities		
Purchase of investments	<u>(4,232)</u>	<u>(5,852)</u>
Net Cash Provided (Used) by Investing Activities	<u>(4,232)</u>	<u>(5,852)</u>
 Net Change in Cash and Cash Equivalents	 176,294	 190,186
 Cash and cash equivalents, beginning of year	 <u>332,784</u>	 <u>142,598</u>
Cash and cash equivalents, end of year	<u>\$ 509,078</u>	<u>\$ 332,784</u>
 Cash and cash equivalents, unrestricted	 \$ 499,078	 \$ 312,784
Cash and cash equivalents, temporarily restricted	<u>10,000</u>	<u>20,000</u>
Total cash and cash equivalents	<u>\$ 509,078</u>	<u>\$ 332,784</u>

See accompanying notes to financial statements.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 1 - ORGANIZATION

International Foundation For CDKL5 Research (the Organization) is a not-for-profit organization incorporated in the State of Ohio in 2009 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is governed by a seven-member Board of Directors. The Board of Directors is selected pursuant to the bylaws of the Organization, and they significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Organization.

CDKL5 is a rare X-linked genetic disorder that results in difficult to control seizures. Most of the children cannot walk, talk, or feed themselves. Many children suffer with vision and gastrointestinal problems.

CDKL5 stands for cyclin-dependent kinase-like 5, and is located on the X chromosome. The CDKL5 gene provides instructions for making a protein that is essential for normal brain development. Although little is known about the protein's function, it may play a role in regulating the activity of other genes, including the MECP2 gene (of Rett Syndrome). The CDKL5 protein acts as a kinase, which is an enzyme that changes the activity of other proteins by adding oxygen and phosphate atoms (a phosphate group) at specific positions. Researchers have not yet determined which proteins are targeted by the CDKL5 protein.

The International Foundation for CDKL5 Research (IFCR) was formed by a group of dedicated parents of CDKL5 children, who dared to dream of something life changing for their children - a cure. The Organization raises funds that are being used to fund research that will lead to a cure for this very debilitating disease. IFCR is committed to collaborating with leading scientists and researchers from around the world who are dedicated to finding a cure for CDKL5.

The Organization has many goals including aggressive research, studies to improve the quality of life for children who have been diagnosed with CDKL5, and a testing of compounds to identify possible neurologic modifiers.

The Organization is supported primarily by individuals, corporations, and philanthropic organizations. Its greatest strength is the dedication of its grassroots leaders and volunteers.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of International Foundation For CDKL5 Research have been prepared on the accrual basis.

Significant accounting policies are summarized below:

Contributions and Net Asset Classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets include contributions that donors have restricted in perpetuity. The income from such gifts may be used to support the specified purpose.

Revenues are reported as increases in unrestricted net assets, and expenses are reported as decreases in unrestricted net assets. Amounts are transferred from temporarily restricted net assets to unrestricted net assets as soon as the donor imposed restrictions are removed.

Cash and Cash Equivalents – For purposes of the statement of cash flows, International Foundation For CDKL5 Research considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash is held in an interest bearing demand account at one financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation.

Pledges Receivable – Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. Program cost reimbursements due from grantors are included in this amount, should there be any reimbursements due to the Organization at the end of the fiscal year.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property and Equipment - Property and equipment purchased by International Foundation For CDKL5 Research are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$1,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of 25 – 40 years for buildings and leasehold improvements and 5 – 7 years for equipment, vehicles, and furniture. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to unrestricted net assets.

Public Support and Revenue - Financial ASC 958-605-25-2 and 958-605-30-2 (formerly SFAS No. 116) generally requires measuring contributions received at the fair value of the assets or services received or promised, or the fair value of the liabilities satisfied. Contributions are recognized as revenues or gains in the period they are received, even if the donor has restricted their use and the restriction will be met in a future reporting period; that is, none are deferred. As a result, contributions are recorded immediately either as an increase in unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, depending on the nature of the donor restrictions, if any.

Restricted Support - After determining that support should be recorded in the financial statements, the organization must determine whether the donor has restricted its use in some manner or to some time period. For example, a donor may specify that a gift be used for the operation of a particular program, the acquisition of property or equipment, or an endowment, whereby only income generated by the gift may be used for operating purposes. Restrictions may be explicit (such as a letter specifying that the contribution be used for a specific research program) or implicit (such as gifts received in a capital improvements drive or in an appeal for a particular program).

Temporary and Permanent Restrictions - Generally, a restriction is temporary if the organization is authorized to deplete what was donated, such as contributions restricted to purchase assets or to fund program costs; otherwise, it is permanent. Permanent restrictions are those that permanently restrict the organization's use of contributed assets (such as an endowment under which the principal must remain intact). Sometimes an endowment instrument temporarily restricts the use of the income from the principal, such as an endowment to a school requiring the income to be used to fund the compensation of a fine arts instructor. Another example of a permanent restriction is land donated for the organization's permanent use.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.)

A temporarily restricted contribution generally is recognized when received and is reclassified from temporarily restricted net assets to unrestricted net assets when the donor's restriction is satisfied or when the stipulated time has elapsed. Cash received to support the activities of a particular program would be reported as contribution revenue, increasing temporarily restricted net assets. When expenditures for the program are incurred, the financial statements would report a reduction in temporarily restricted net assets and an increase in unrestricted net assets.

Unrestricted support contributions not restricted by time or manner of use are recognized as unrestricted support in the period in which they are received (or the promise is made). However, if a donor has stipulated that funds are to be used in a subsequent period, the contribution is considered restricted. Unconditional promises to give contributions to be received in future periods are assumed to be temporarily restricted unless the donor explicitly states that the contribution is to support the current period.

Contributions Whose Restrictions Are Met in the Same Year - Restricted contributions may be reported as unrestricted support if (a) the restrictions are met in the same reporting period, (b) that policy is followed consistently, (c) the policy is disclosed, and (d) the organization has a similar policy for accounting for restricted investment income and gains. For example, an organization may receive a \$50,000 contribution to fund the cost of a one-week educational seminar. If the \$50,000 is received in the same year the seminar is held, the donation can be reflected as an unrestricted contribution in the statement of activities provided the organization meets the criteria in this paragraph. If the educational seminar straddled the organization's year end and restrictions on only \$25,000 of the donation were met, the statement of activities could reflect unrestricted contributions of \$25,000 and temporarily restricted contributions of \$25,000.

Designations Imposed Internally - Sometimes, the Board of directors may designate a portion of unrestricted net assets for a specific purpose as a management planning tool. For example, the board of directors may designate a certain amount of current year contributions to be used to fund the purchase of new software. Those board designations are not restrictions because the designations may be reversed by the board, and they do not alter the nature of unrestricted contributions.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Federal Income Taxes – International Foundation For CDKL5 Research is exempt from federal income tax under Internal Revenue Code Section 501©(3) and is classified as a public charity under 509(a)(1) and 170(b)(1)(A)(i).

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2012 and December 31, 2011 consisted of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Checking	\$ 39,118	\$39,118	\$ 1,695	\$ 1,695
Money market funds	<u>469,960</u>	<u>469,960</u>	<u>331,089</u>	<u>331,089</u>
Total	<u>\$ 509,078</u>	<u>\$509,078</u>	<u>\$332,784</u>	<u>\$ 332,784</u>

NOTE 4 – DONATED SERVICES

Contributions of services are recognized when services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which an amount has been recorded in the financial statements, because the services did meet the criteria for recognition under generally accepted accounting principles. The estimated value of these volunteer services is \$320,000 for the year ending December 31, 2012. This amount is reflected in the financial statements.

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 5 – IN-KIND DONATIONS

Noncash gifts, including donated travel, meals, supplies, and equipment, are reported on the financial statements. They are recorded based on their fair market value on the date of the gift. The estimated fair market value of donated travel, meals, supplies, and equipment for the years ended December 31, 2012 and December 31, 2011 is \$14,253 and \$13,981, respectively.

NOTE 6 – INVESTMENTS

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2012 and December 31, 2011 consisted of the following:

	<u>2012</u>		<u>2011</u>	
	Significant Observable Inputs		Significant Observable Inputs	
	<u>Fair Value</u>	<u>Level 2</u>	<u>Fair Value</u>	<u>Level 2</u>
Equities	\$ 13,403	\$ 13,403	\$5,852	\$5,852
Total	<u>\$ 13,403</u>	<u>\$ 13,403</u>	<u>\$5,852</u>	<u>\$5,852</u>

Return on investment is as follows for the years ending December 31, 2012 and December 31, 2011.

	<u>2012</u>	<u>2011</u>
Interest/Dividend Income	\$ 2,106	\$ 1,650
Unrealized gains (losses)	<u>3,344</u>	<u>829</u>
Total	<u>\$ 5,450</u>	<u>\$ 2,479</u>

NOTE 7 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2012 and December 31, 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	<u>\$10,000</u>	<u>\$25,000</u>
Total pledges receivable	<u>\$10,000</u>	<u>\$25,000</u>

INTERNATIONAL FOUNDATION FOR CDKL5 RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND DECEMBER 31, 2011

NOTE 8 – TEMPORARILY RESTRICTED ASSETS

Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2012, are available for the following periods:

Periods after December 31, 2012	<u>\$ 10,000</u>
Total temporarily restricted funds	<u>\$ 10,000</u>

Net assets will be released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

NOTE 9 – PRIOR YEARS SUMMARIZED DATA

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 accordance 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, 2011, from which the summarized information was derived.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to credit risk include bank deposits. There were no uninsured balances at December 31, 2012. The Organization manages credit risk by maintaining these balances with high-quality financial institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 26, 2013, the date the financial statements were available to be issued. There were no additional subsequent events.