

Rett Syndrome Research Trust, Inc.

Financial Statements

December 31, 2009





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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, 2009 and 2008 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, 2009 and 2008 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Statements of Functional Expense Allocation and Research Funded Expense Graph, 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 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Michael J. Knight & Co.

Michael J. Knight & Company, CPAs
Fairfield, Connecticut
April 24, 2010

Rett Syndrome Research Trust, Inc.
Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,000,641	\$ 476,371
Promises to give	52,857	71,909
Investment income receivable	-	256
Donated investments	-	3,199
Total current assets	<u>1,053,498</u>	<u>551,735</u>
Other assets		
Restricted cash	-	50,573
Website, net of accumulated amortization of \$22,500 and \$7,500 for 2009 and 2008, respectively	<u>7,500</u>	<u>22,500</u>
Total other assets	<u>7,500</u>	<u>73,073</u>
Total assets	<u><u>\$ 1,060,998</u></u>	<u><u>\$ 624,808</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 2,102	\$ 11,489
Grants payable	744,129	846,234
Accrued expenses	<u>5,000</u>	<u>5,000</u>
Total current liabilities	<u>751,231</u>	<u>862,723</u>
Other liabilities		
Grants payable	<u>682,177</u>	<u>746,130</u>
Total liabilities	<u>1,433,408</u>	<u>1,608,853</u>
Net assets (deficit)		
Unrestricted	(372,410)	(1,034,618)
Temporarily restricted	<u>-</u>	<u>50,573</u>
Total net assets (deficit)	<u>(372,410)</u>	<u>(984,045)</u>
Total liabilities and net assets	<u><u>\$ 1,060,998</u></u>	<u><u>\$ 624,808</u></u>

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Statements of Activities
For the Years Ended December 31, 2009 and 2008

	December 31, 2009			December 31, 2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenues						
Contributions	\$ 951,067	\$ 335,503	\$ 1,286,570	1,052,108	\$ 276,969	\$ 1,329,077
Donated services and rent	8,000	-	8,000	43,000	-	43,000
Interest income	13,381	-	13,381	12,136	-	12,136
Realized and unrealized loss from donated securities	(230)	-	(230)	(243)	-	(243)
Net assets released from restriction	386,076	(386,076)	-	226,396	(226,396)	-
Total support and revenue	<u>1,358,294</u>	<u>(50,573)</u>	<u>1,307,721</u>	<u>1,333,397</u>	<u>50,573</u>	<u>1,383,970</u>
Expenses						
Program services	657,662	-	657,662	2,492,803	-	2,492,803
Supporting services:						
Management and general	12,442	-	12,442	12,923	-	12,923
Fundraising	25,982	-	25,982	16,501	-	16,501
Total expenses	<u>696,086</u>	<u>-</u>	<u>696,086</u>	<u>2,522,227</u>	<u>-</u>	<u>2,522,227</u>
Increase (decrease) in net assets from operations	662,208	(50,573)	611,635	(1,188,830)	50,573	(1,138,257)
Net assets (deficit) - beginning of year	<u>(1,034,618)</u>	<u>50,573</u>	<u>(984,045)</u>	<u>154,212</u>	<u>-</u>	<u>154,212</u>
Net assets (deficit) - end of year	<u>\$ (372,410)</u>	<u>\$ -</u>	<u>\$ (372,410)</u>	<u>\$ (1,034,618)</u>	<u>\$ 50,573</u>	<u>\$ (984,045)</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, 2009

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 54,400	\$ 6,800	\$ 6,800	\$ 68,000
Payroll taxes	4,640	580	580	5,800
Telephone	2,058	257	257	2,572
Office and supplies	2,044	693	256	2,993
Rental and maintenance of equipment	54	-	1	55
Printing and publication	6,631	5	158	6,794
Postage and shipping	2,517	315	315	3,147
Scientific meetings	5,209	-	-	5,209
Travel - scientific meetings	1,906	-	-	1,906
Professional fees (*)	2,677	2,676	2,676	8,029
Awards and grants	552,042	-	-	552,042
Amortization	15,000	-	-	15,000
Website and hosting	2,384	-	-	2,384
Miscellaneous	72	9	644	725
Bank and credit card fees	2,194	274	274	2,742
Fundraising	-	-	13,188	13,188
Bookkeeping (**)	834	833	833	2,500
Rent (**)	3,000	-	-	3,000
	<u>\$ 657,662</u>	<u>\$ 12,442</u>	<u>\$ 25,982</u>	<u>\$ 696,086</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, 2008

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 54,403	\$ 6,800	\$ 6,800	\$ 68,003
Payroll taxes	4,926	616	616	6,158
Telephone	458	57	57	572
Office and supplies	4,391	656	549	5,596
Postage and shipping	1,337	167	167	1,671
Scientific meetings	40,185	-	-	40,185
Travel - scientific meetings	26,867	-	-	26,867
Professional fees (*)	3,445	3,444	3,444	10,333
Awards and grants	2,341,130	-	-	2,341,130
Amortization	7,500	-	-	7,500
Website and hosting	1,527	-	-	1,527
Miscellaneous	969	121	256	1,346
Bank and credit card fees	1,831	229	229	2,289
Fundraising	-	-	3,550	3,550
Bookkeeping (**)	834	833	833	2,500
Rent (**)	3,000	-	-	3,000
	<u>\$ 2,492,803</u>	<u>\$ 12,923</u>	<u>\$ 16,501</u>	<u>\$ 2,522,227</u>

(*) Includes \$5,000 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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from (used in) operating activities		
Increase (decrease) in net assets	\$ 611,635	\$ (1,138,257)
Adjustments to reconcile decrease in net assets to cash from (used in) operating activities		
Amortization	15,000	7,500
Capitalized donated service	-	(30,000)
(Increase) decrease in promises to give	19,052	(71,909)
(Increase) decrease in investment income receivable	256	(256)
(Increase) decrease in donated investments	3,199	(3,199)
(Increase) decrease in restricted cash	50,573	(50,573)
Increase (decrease) in accounts payable	(9,387)	10,201
Increase (decrease) in grants payable	(166,058)	1,592,364
(Decrease) in accrued expenses	-	(1,946)
Net cash provided from operating activities	524,270	313,925
 Increase in cash	 524,270	 313,925
 Cash and cash equivalents - beginning of year	 476,371	 162,446
 Cash and cash equivalents - end of year	 \$ 1,000,641	 \$ 476,371

See report of independent auditor and notes to financial statements.

Rett Syndrome Research Trust, Inc.
Notes to Financial Statements
December 31, 2009
(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 or temporarily restricted net assets as of December 31, 2009 and have met the restriction on all temporarily restricted funds.

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.

Rett Syndrome Research Trust, Inc.
Notes to Financial Statements
December 31, 2009
(See Report of Independent Auditor)

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 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, 2009, the Organization had \$793,770 of uninsured cash balances. 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.

Website Costs

The cost associated with the Website has been donated to the Organization and have been capitalized. Amortization is calculated 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, 2009. 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.

Rett Syndrome Research Trust, Inc.
Notes to Financial Statements
December 31, 2009
(See Report of Independent Auditor)

NOTE 4 – Promises to Give

At December 31, 2009 and 2008, contributors to the Organization have unconditionally promised to give \$52,857 and \$71,909, respectively. All promises to give are due within one year. The Organization believes that all promises to give are fully collectable as there is no history of uncollectible accounts. All promises have been fully collected subsequent to the end of the year.

NOTE 5 – Grants Payable

The Organization has committed to unconditional promises to give of \$1,496,122 to various research organizations over the next several years. Long-term commitments have been discounted at 4% per annum which the Organization believes to be its cost of funds rate. The timing of future grants payable is as follows:

	<u>2009</u>	<u>2008</u>
Within one year	\$ 744,129	\$ 846,234
One to five years	719,688	783,000
More than five years	-	-
Subtotal	<u>1,463,817</u>	<u>1,629,234</u>
Less: present value component	(37,511)	(36,870)
Less: allowance for doubtful accounts	-	-
Promises to give, net	<u><u>\$ 1,426,306</u></u>	<u><u>\$ 1,592,364</u></u>

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

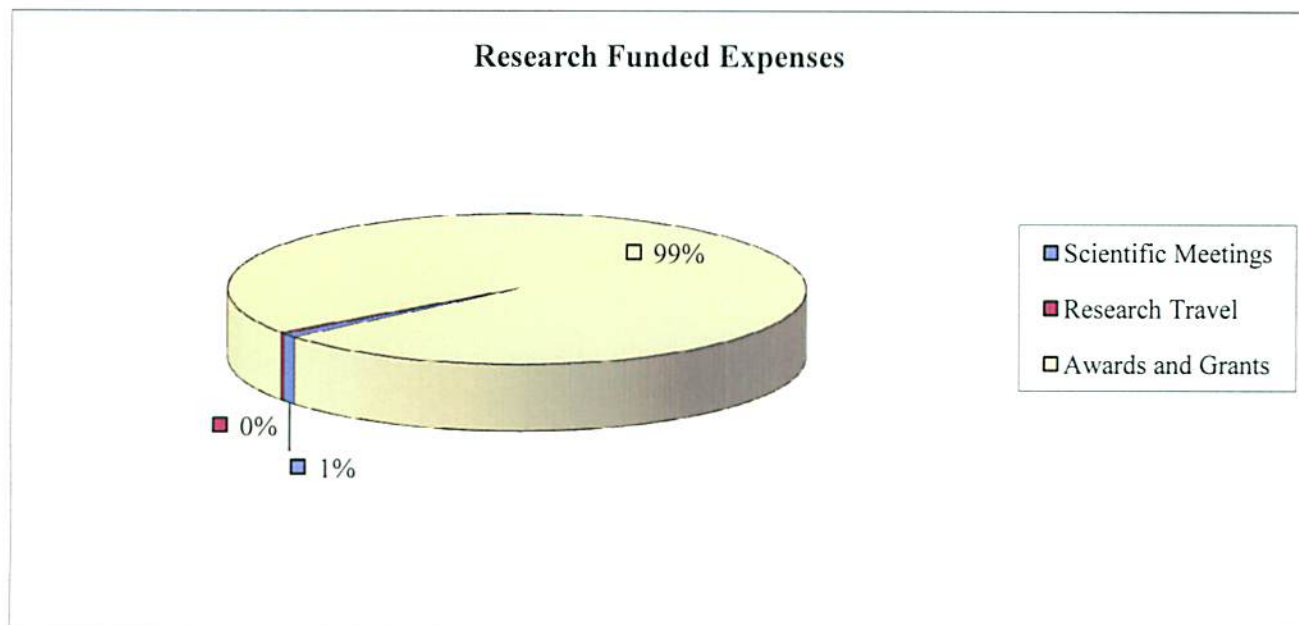
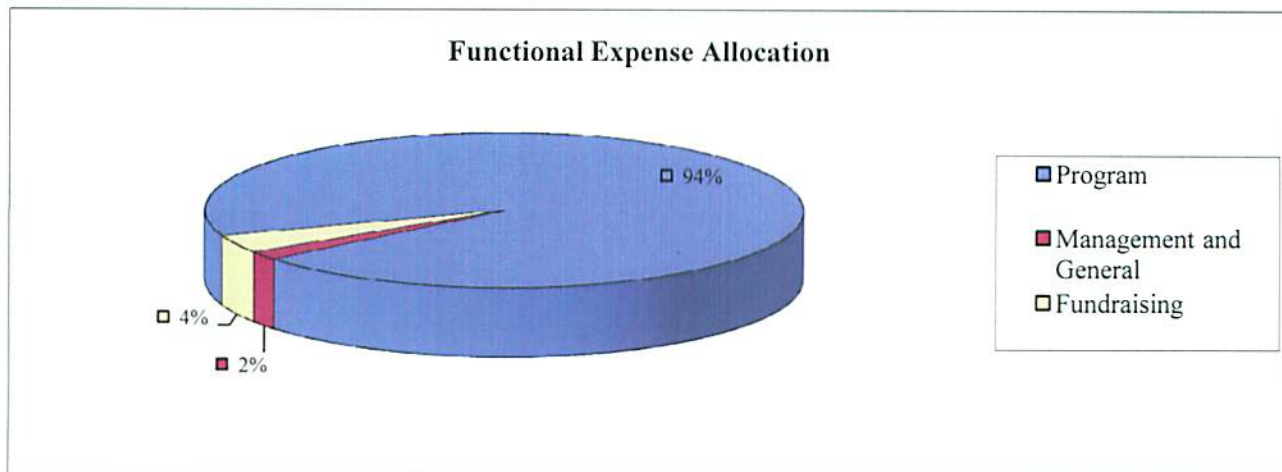
NOTE 6 – Concentrations

The Organization has one donor that has provided at least 10% of aggregate contributions for the year ended December 31, 2009.

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, 2009 through May 3, 2010, which is the date the financial statements were 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, 2009



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, 2009

	<u>Commitment at December 31, 2008</u>	<u>Additional Commitments</u>	<u>Payments Against Commitments</u>	<u>Commitment at December 31, 2009</u>
Baylor College of Medicine - Monica Justice	\$ 126,500	\$ 236,038	\$ (185,509)	\$ 177,029
Baylor College of Medicine - Huda Zoghbi	-	100,000	(100,000)	-
Fred Hutchinson Cancer Research Antnio Bedalov	93,334	-	(93,334)	-
University of Texas Southwest Medical Center Andrew Pieper	374,400	-	(83,200)	291,200
University of Edinburgh Adrian Bird	1,035,000	-	(126,912)	908,088
University of Pennsylvania Marisa Bartolomei	-	40,000	(40,000)	-
University of California at San Francisco Stavros Lomvardas	-	140,000	(52,500)	87,500
Rett Syndrome Center at MMC		36,645	(36,645)	-
	<u>\$ 1,629,234</u>	<u>\$ 552,683</u>	<u>\$ (718,100)</u>	<u>\$ 1,463,817</u>

See report of independent auditor.