

The Facial Pain Association, Inc.

Financial Statements and Independent Auditors' Report

June 30, 2011 and 2010

CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statement of Activities – 2011	3
Statement of Activities – 2010	4
Statements of Cash Flows	5
Statement of Functional Expenses – 2011	6
Statement of Functional Expenses – 2010	7
Notes to Financial Statements	8-12

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Facial Pain Association, Inc.
Gainesville, Florida

We have audited the statements of financial position of The Facial Pain Association, Inc. (the Association) as of June 30, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Association's management. 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 The Facial Pain Association, Inc., as of June 30, 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.

Kattell and Company, P.L.

November 15, 2011
Gainesville, Florida

Statements of Financial Position
June 30, 2011 and 2010
The Facial Pain Association, Inc.

	<u>2011</u>	Restated <u>2010</u>
Assets		
Cash	\$ 99,024	\$ 124,660
Accounts Receivable	6,683	914
Prepaid Expenses	2,400	5,944
Inventory	9,850	11,448
Assets Restricted for Long Term Purposes:		
Cash	60,017	--
Pledges Receivable	26,900	--
Office Equipment and Furniture, net	1,114	--
Film Costs, net	<u>13,670</u>	<u>22,303</u>
Total Assets	<u>\$ 219,658</u>	<u>\$ 165,269</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 2,246	\$ 23,280
Payroll Liabilities	6,321	15,428
Deferred Revenue:		
Memberships	63,747	46,968
Conference Fees	<u>--</u>	<u>63,881</u>
Total Liabilities	72,314	149,557
Net Assets:		
Unrestricted	17,949	8,302
Temporarily Restricted	42,478	7,410
Permanently Restricted	<u>86,917</u>	<u>--</u>
Total Net Assets	<u>147,344</u>	<u>15,712</u>
Total Liabilities and Net Assets	<u>\$ 219,658</u>	<u>\$ 165,269</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2011
The Facial Pain Association, Inc.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenues:</u>				
Contributions:				
Board of Directors	\$ 77,642	\$ --	\$ --	\$ 77,642
Annual Appeals	124,770	--	--	124,770
United Way	13,448	--	--	13,448
Other - \$10,000 and over	98,000	50,000	--	148,000
Other - under \$10,000	29,334	--	86,917	116,251
Memberships:				
Individual	41,641	--	--	41,641
Professional	93,939	--	--	93,939
Conference Fees	129,107	--	--	129,107
Product Sales	12,536	--	--	12,536
Interest Income	295	83	--	378
Net Assets Released from Restrictions	<u>15,015</u>	<u>(15,015)</u>	<u>--</u>	<u>--</u>
Total Support and Revenues	635,727	35,068	86,917	757,712
<u>Expenses:</u>				
Program Services	494,733	--	--	494,733
Support Services:				
Management and General	51,025	--	--	51,025
Fundraising	<u>80,322</u>	<u>--</u>	<u>--</u>	<u>80,322</u>
Total Expenses	<u>626,080</u>	<u>--</u>	<u>--</u>	<u>626,080</u>
Change in Net Assets	9,647	35,068	86,917	131,632
Net Assets, Beginning of Year	<u>8,302</u>	<u>7,410</u>	<u>--</u>	<u>15,712</u>
Net Assets, End of Year	<u>\$ 17,949</u>	<u>\$ 42,478</u>	<u>\$ 86,917</u>	<u>\$ 147,344</u>

See accompanying notes.

Statement of Activities - Restated
For the Year Ended June 30, 2010
The Facial Pain Association, Inc.

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<u>Support and Revenues:</u>			
Contributions:			
Board of Directors	\$ 67,780	\$ --	\$ 67,780
Annual Appeals	136,243	--	136,243
United Way	12,222	--	12,222
Other - \$10,000 and over	100,000	--	100,000
Other - under \$10,000	34,389	--	34,389
Memberships:			
Individual	31,987	--	31,987
Professional	87,466	--	87,466
Conference Sponsorships	52,500	--	52,500
Product Sales	18,861	--	18,861
Interest Income	319	--	319
Net Assets Released from Restrictions	<u>4,506</u>	<u>(4,506)</u>	<u>--</u>
Total Support and Revenues	546,273	(4,506)	541,767
<u>Expenses:</u>			
Program Services	435,649	--	435,649
Support Services:			
Management and General	73,187	--	73,187
Fundraising	<u>103,998</u>	<u>--</u>	<u>103,998</u>
Total Expenses	<u>612,834</u>	<u>--</u>	<u>612,834</u>
Change in Net Assets	(66,561)	(4,506)	(71,067)
Net Assets, Beginning of Year	<u>74,863</u>	<u>11,916</u>	<u>86,779</u>
Net Assets, End of Year	<u>\$ 8,302</u>	<u>\$ 7,410</u>	<u>\$ 15,712</u>

See accompanying notes.

Statements of Cash Flow
For the Year Ended June 30, 2011 and 2010
The Facial Pain Association, Inc.

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change In Net Assets	\$ 131,632	\$ (71,067)
Adjustments:		
Depreciation Expense	8,719	9,380
Contributions Restricted for Long Term Purposes	(86,917)	--
Changes in:		
Accounts Receivable	(5,769)	1,202
Prepaid Expense	3,544	--
Inventory	1,598	(1,170)
Accounts Payable and Payroll Liabilities	(30,141)	28,671
Deferred Revenue	<u>16,779</u>	<u>53,180</u>
Net Cash Provided by Operating Activities	(24,436)	20,088
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(1,200)	--
Purchase of Film Costs	<u>--</u>	<u>(5,725)</u>
Net Cash Used in Investing Activities	(1,200)	(5,725)
Cash Flows from Financing Activities:		
Contribution for Long Term Investments	<u>60,017</u>	<u>--</u>
Net Cash From Financing Activities	<u>60,017</u>	<u>--</u>
Net Increase (Decrease) in Cash	34,381	14,363
Cash, Beginning of Year	<u>124,660</u>	<u>110,297</u>
Cash, End of Year	<u><u>\$ 159,041</u></u>	<u><u>\$ 124,660</u></u>

See accompanying notes.

Statement of Functional Expenses
For the Year Ended June 30, 2011
The Facial Pain Association, Inc.

	Program Services			Supporting Activities		Total Expenses
	Support and Education	Research	Total Services	Management and General	Fundraising	
Bank Service Charges	\$ 9,189	\$ -	\$ 9,189	\$ 1,860	\$ -	\$ 11,049
Employee Benefits	7,311	3,811	11,122	2,049	5,266	18,437
Conferences and Exhibits	29,587	-	29,587	-	-	29,587
Depreciation	8,719	-	8,719	-	-	8,719
Equipment Expense	20,307	-	20,307	2,036	1,750	24,093
Insurance	1,208	238	1,446	134	226	1,806
Licenses and Dues	2,480	-	2,480	-	99	2,579
Maintenance	363	-	363	2,062	6	2,431
Other Expense	8,331	-	8,331	458	2,238	11,027
Payroll Expense	210,086	50,829	260,915	26,158	35,466	322,539
Postage and Delivery	18,895	-	18,895	831	10,252	29,978
Printing and Publications	32,111	-	32,111	-	11,867	43,978
Professional Fees	7,660	2,871	10,531	3,400	6,175	20,106
Rent	24,528	4,400	28,928	3,000	3,800	35,728
Supplies	7,176	-	7,176	864	105	8,145
Support Group Donations	4,013	-	4,013	-	-	4,013
Telephone	7,644	111	7,755	1,297	1,110	10,162
Travel	13,964	652	14,616	6,397	1,482	22,495
Utilities	2,326	756	3,082	479	480	4,041
Website Costs	15,167	-	15,167	-	-	15,167
Totals	\$ 431,065	\$ 63,668	\$ 494,733	\$ 51,025	\$ 80,322	\$ 626,080

See accompanying notes.

Statement of Functional Expenses
For the Year Ended June 30, 2010
The Facial Pain Association, Inc.

	Program Services			Supporting Activities		Total Expenses
	Support and Education	Research	Total Services	Management and General	Fundraising	
Bank Service Charges	\$ 6,182	\$ --	\$ 6,182	\$ 971	\$ --	\$ 7,153
Employee Benefits	22,113	5,338	27,450	6,100	4,575	38,125
Conferences and Exhibits	11,177	--	11,177	--	--	11,177
Depreciation	5,440	1,313	6,754	1,501	1,126	9,380
Equipment Expense	4,724	185	4,909	211	158	5,278
Insurance	1,618	390	2,008	446	335	2,789
Licenses and Dues	--	--	--	637	637	1,273
Maintenance	1,652	399	2,051	456	342	2,848
Other Expense	2,809	678	3,487	775	581	4,843
Payroll Expense	185,947	44,884	230,831	51,296	38,472	320,599
Postage and Delivery	16,161	--	16,161	2,108	2,810	21,079
Printing and Publications	35,732	--	35,732	--	11,508	47,240
Professional Fees	11,817	--	11,817	--	29,889	41,706
Purchased Research	6,723	--	6,723	--	100	6,823
Rent	19,987	4,824	24,811	5,514	4,135	34,460
Supplies	9,715	--	9,715	1,572	943	12,230
Support Group Donations	4,168	--	4,168	--	--	4,168
Telephone	7,125	1,644	8,769	1,096	1,096	10,961
Travel	18,860	--	18,860	--	6,785	25,645
Utilities	3,286	759	4,045	506	507	5,058
Totals	\$ 375,235	\$ 60,415	\$ 435,649	\$ 73,187	\$ 103,998	\$ 612,834

See accompanying notes.

Notes to Financial Statements
June 30, 2011 and 2010
The Facial Pain Association, Inc.

NOTE 1 – Summary of Significant Accounting Policies

Entity

The Facial Pain Association, Inc. (the Association) is a not-for-profit organization that was established in 1990 and is located in Gainesville, Florida. The Association serves as an advocate for patients living with trigeminal neuralgia and related facial pain conditions by providing information, encouraging research and offering support. Services provided by the Association include a support group and education, as well as research programs. The Association is governed by a Board of Directors and has officers who carry on the operations of the Association.

Tax Exempt Status

The Association is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code. The Association has not earned any unrelated business taxable income; therefore, no provision for federal income taxes is reported. In addition, the Association has been classified by the Internal Revenue Service as an organization that is not a private foundation and qualifies for the charitable contribution deduction.

The Association holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Association's Form 990, *Return of Organization Exempt from Income Taxes*, is subject to examination by the IRS, generally for 4 years after the date filed.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Association is considered a voluntary health and welfare organization and statements of functional expenses have been included.

Cash

Cash consists of checking and savings accounts held in financial institutions.

Office Equipment and Furniture

Office Equipment and Furniture valued at \$1,000 or more are recorded at cost if purchased, or estimated fair value at the date of the donation, and are depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, which range from three to seven years. Maintenance and repairs are expensed as incurred.

Inventory

Inventory consists of books, video tapes, DVDs, logo items and other miscellaneous items sold by the Association to educate patients and their families about trigeminal neuralgia. The inventory is valued at cost using the first-in, first-out method.

Notes to Financial Statements
June 30, 2011 and 2010
The Facial Pain Association, Inc.

NOTE 1 – Summary of Significant Accounting Policies (continued)

Accounting for Net Assets

The Association's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted. Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which do not expire by passage of time or can not be fulfilled by actions of the Association.

Temporarily Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time (time-restricted) or are fulfilled by actions of the Association (purpose-restricted). The Association holds only purpose-restricted contributions at June 30, 2011 and 2010.

Unrestricted - Those net assets that are neither temporarily or permanently restricted

Revenue Recognition

Contributions – Contributions include conference sponsorships, gifts from foundations, board members and other larger donations, as well as responses to direct mail solicitations. Contributions received, including unconditional promises to give, are recognized at their estimated fair values in the period received or pledged. The Association 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 as net assets released from restrictions.

Memberships – The Association offers professional and individual memberships. Members pay an annual fee to receive membership services from the Association. Membership fees are recognized ratably over the year of the membership. Any membership fees received in advance are reported as deferred revenue until earned.

Conference Fees – Conferences include the biannual National Conference and regional conferences held throughout the year. Conference fees are recognized as revenue when the conference is held. Any conference fees received in advance are reported as deferred revenue until the conference is held.

Product Sales – Sales of inventory are recognized as revenue when the item is shipped.

Endowment Funds

Generally accepted accounting principles define an endowment fund as an established fund of cash, securities or other assets to provide income for the maintenance of a not-for-profit organization (NPO). The use of the assets of the fund may be permanently or temporarily restricted based on 1) the presence or absence of donor restrictions, or 2) the provisions of state law. (Florida has no specific law which governs the operations and maintenance of the Association's endowment funds.) In addition, the Board of a NPO may earmark a portion of its unrestricted net assets as a board-designated endowment to be invested to provide income for the NPOs operations and programs. The Association does not currently hold any board-designated endowments.

The Association's endowment consists of contributions from a variety of donors who have restricted the return on the investment for the purpose of finding a cure for facial pain.

Notes to Financial Statements
June 30, 2011 and 2010
The Facial Pain Association, Inc.

NOTE 1 – Summary of Significant Accounting Policies (concluded)

Expense Allocation

Expenses are allocated to the various functional categories based on the purpose achieved. The Association assigns most expenses directly to the benefited function. The Association uses a reasonable method of allocating expenses relating to more than one functional category.

Program Service expenses include the direct expenses of providing the services related to each program, as well as an allocation of the certain salary and staff support expenses.

Management and General expenses include all expenses required to conduct the affairs of the Association which are not allocable to other functional areas.

Fundraising expenses include an allocation of salaries and supporting expenses as well as direct fundraising expenses.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Reclassifications

Some of the prior year comparative information may have been reclassified to conform to the current year's presentation.

NOTE 2 – Office Equipment and Furniture

Net Office Equipment and Furniture consists of the following:

	<u>2011</u>	<u>2010</u>
Office Furniture, Computers and Equipment	\$ 53,763	\$ 52,563
Less: Accumulated Depreciation	<u>(52,649)</u>	<u>(52,563)</u>
Fixed Assets, Net	<u>\$ 1,114</u>	<u>\$ --</u>

NOTE 3 – Film Costs

Film costs include the costs for producing a documentary to promote The Facial Pain Association, Inc. and its cause. These costs are amortized using the straight line method over the useful life of the asset, which is three years.

	<u>2011</u>	<u>2010</u>
Film Costs	\$ 25,900	\$ 25,900
Less: Accumulated Amortization	<u>(12,230)</u>	<u>(3,597)</u>
Film Costs, Net	<u>\$ 13,670</u>	<u>\$ 22,303</u>

Notes to Financial Statements
June 30, 2011 and 2010
The Facial Pain Association, Inc.

NOTE 4 – Temporarily Restricted Net Assets

Net assets are restricted for expenditure on research, education and support group activities.

NOTE 5 – Permanently Restricted Net Assets

Net assets are permanently restricted and held in a separate endowment account. Revenues generated from the endowment are restricted for expenditure on finding a cure for facial pain.

NOTE 6 – Concentration of Credit Risk

The Association deposits their cash in a local bank. These deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The amount of these deposits will vary throughout the year. At June 30, 2011 and 2010, there were no amounts held in excess of FDIC limits.

NOTE 7 – Operating Lease

The Association entered into an operating lease agreement for office space, which expires February 28, 2016, with a monthly rate of \$2,400. The future minimum lease payments are:

2012	\$	28,800
2013		28,800
2014		28,800
2015		28,800
2016		19,200
		<u>\$ 134,400</u>

NOTE 8 – Related Party Transactions

The Association purchased printing services of \$1,878 in 2011 and \$10,583 in 2010 from a company owned by a Board member and its subsidiary. The amounts paid by the Association were less than market prices.

NOTE 9 – Endowment Funds

During the year ended June 30, 2011, the Association received donations restricted by the donors to be held in perpetuity, the income from which would be used to fund research. As such, the Association has established an endowment fund which is classified into the following net asset categories based on the presence or absence of donor-imposed restrictions:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
	2011			
512 Society Endowment Fund	\$ --	\$ 83	\$ 60,017	\$ 60,100

Notes to Financial Statements
June 30, 2011 and 2010
The Facial Pain Association, Inc.

NOTE 9 – Endowment Funds (concluded)

The changes in endowment fund balances by net asset class are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Balance – July 1, 2010	\$ --	\$ --	\$ --	\$ --
Interest/Investment Income	--	83	--	83
Contributions/Transfers	--	--	60,017	60,017
Appropriations for Expenditure	--	--	--	--
Balance – June 30, 2011	<u>\$ --</u>	<u>\$ 83</u>	<u>\$ 60,017</u>	<u>\$ 60,100</u>

NOTE 10 – Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through November 15, 2011 which is the date the financial statements were available to be issued.

NOTE 11 – Prior Period Adjustment

The June 30, 2010 financial statements have been restated to defer conference revenues of \$63,881, which were recognized as revenues in the year ended June 30, 2011 when the conference was held.