

International Rett Syndrome Foundation

**Financial Statements
December 31, 2012 and 2011, and
Independent Auditors' Report**

INTERNATIONAL RETT SYNDROME FOUNDATION
December 31, 2012 and 2011

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Independent Auditors' Report

To the Board of Trustees
International Rett Syndrome Foundation
Cincinnati, Ohio

We have audited the accompanying financial statements of International Rett Syndrome Foundation (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2012 and 2011, 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 of 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Rett Syndrome Foundation as of December 31, 2012 and 2011, 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.

Barnes, Dennig & Co., Ltd.

May 2, 2013

INTERNATIONAL RETT SYNDROME FOUNDATION

**Statements of Financial Position
December 31, 2012 and 2011**

	2012	2011
Assets		
Cash and cash equivalents	\$ 3,197,657	\$ 3,281,944
Investments	2,448,807	2,410,449
Pledges receivable, net allowance of \$11,000 and \$10,000 for 2012 and 2011, respectively	15,422	14,030
Property and equipment, net	27,251	44,943
Inventory, net	11,383	11,374
Prepaid expenses and other assets	50,987	30,502
Beneficial interest in perpetual trust	19,468	18,441
Total assets	\$ 5,770,975	\$ 5,811,683
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 34,325	\$ 24,944
Accrued liabilities	28,086	15,729
Grants payable to researchers, net	4,098,923	2,900,216
Total liabilities	4,161,334	2,940,889
 Net Assets		
Unrestricted	556,852	1,838,323
Temporarily restricted	33,321	14,030
Permanently restricted	1,019,468	1,018,441
Total net assets	1,609,641	2,870,794
Total liabilities and net assets	\$ 5,770,975	\$ 5,811,683

See accompanying notes to financial statements.

INTERNATIONAL RETT SYNDROME FOUNDATION

Statements of Activities Years Ended December 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:								
Special events	\$ 2,705,719	\$ 21,044	\$ -	\$ 2,726,763	\$ 2,660,529	\$ 40,672	\$ -	\$ 2,701,201
Contributions	1,880,736	36,547	-	1,917,283	1,593,588	54,827	198,832	1,847,247
Government grants	-	-	-	-	180,000	-	-	180,000
In-kind revenue	151,733	-	-	151,733	162,182	-	-	162,182
Grant revenue	17,500	-	-	17,500	17,500	-	-	17,500
Conference registrations	175,680	-	-	175,680	76,895	-	-	76,895
Investment return	38,382	17,899	-	56,281	14,634	-	-	14,634
Merchandise sales, net	15,420	-	-	15,420	10,677	-	-	10,677
Change in beneficial interest in perpetual trust	-	-	1,027	1,027	-	-	(1,161)	(1,161)
Released from restriction	56,199	(56,199)	-	-	106,481	(106,481)	-	-
Total revenues	<u>5,041,369</u>	<u>19,291</u>	<u>1,027</u>	<u>5,061,687</u>	<u>4,822,486</u>	<u>(10,982)</u>	<u>197,671</u>	<u>5,009,175</u>
Operating expenses:								
Program	4,984,698	-	-	4,984,698	3,669,826	-	-	3,669,826
Administration	256,047	-	-	256,047	307,645	-	-	307,645
Fundraising	1,082,095	-	-	1,082,095	980,986	-	-	980,986
Total expenses	<u>6,322,840</u>	<u>-</u>	<u>-</u>	<u>6,322,840</u>	<u>4,958,457</u>	<u>-</u>	<u>-</u>	<u>4,958,457</u>
Operating income (loss)	<u>(1,281,471)</u>	<u>19,291</u>	<u>1,027</u>	<u>(1,261,153)</u>	<u>(135,971)</u>	<u>(10,982)</u>	<u>197,671</u>	<u>50,718</u>
Loss on inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,680</u>	<u>-</u>	<u>-</u>	<u>13,680</u>
Change in net assets	<u>(1,281,471)</u>	<u>19,291</u>	<u>1,027</u>	<u>(1,261,153)</u>	<u>(149,651)</u>	<u>(10,982)</u>	<u>197,671</u>	<u>37,038</u>
Net assets, beginning of year	<u>1,838,323</u>	<u>14,030</u>	<u>1,018,441</u>	<u>2,870,794</u>	<u>1,987,974</u>	<u>25,012</u>	<u>820,770</u>	<u>2,833,756</u>
Net assets, end of year	<u>\$ 556,852</u>	<u>\$ 33,321</u>	<u>\$ 1,019,468</u>	<u>\$ 1,609,641</u>	<u>\$ 1,838,323</u>	<u>\$ 14,030</u>	<u>\$ 1,018,441</u>	<u>\$ 2,870,794</u>

See accompanying notes to financial statements.

INTERNATIONAL RETT SYNDROME FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2012**

	<u>Program</u>				<u>Administration</u>	<u>Fundraising</u>			<u>Total</u>
	<u>Research</u>	<u>Family Support</u>	<u>Education</u>	<u>Total</u>		<u>Appeals and General</u>	<u>Direct Special Events</u>	<u>Total</u>	
Direct program costs	\$ 3,642,363	\$ -	\$ -	\$ 3,642,363	\$ -	\$ -	\$ -	\$ -	\$ 3,642,363
Personnel related costs	371,481	188,694	-	560,175	74,049	173,725	-	173,725	807,949
Special events costs	-	-	-	-	-	-	715,448	715,448	715,448
Conferences	162,096	-	166,205	328,301	-	-	-	-	328,301
Professional fees	71,800	80,080	1,792	153,672	50,581	48,461	-	48,461	252,714
Outside services	16,412	4,726	81,003	102,141	11,014	64,471	-	64,471	177,626
Travel and entertainment	115,928	3,370	157	119,455	28,328	7,715	-	7,715	155,498
Occupancy costs	41,332	-	-	41,332	12,978	13,985	-	13,985	68,295
Office costs	4,730	13,959	9,426	28,115	11,424	27,797	-	27,797	67,336
Miscellaneous costs	300	509	80	889	33,486	14,343	-	14,343	48,718
Other expenses	-	-	-	-	17,692	12,000	-	12,000	29,692
Training and development	7,855	-	400	8,255	2,400	4,045	-	4,045	14,700
Insurance	-	-	-	-	14,095	105	-	105	14,200
Total expenses	\$ 4,434,297	\$ 291,338	\$ 259,063	\$ 4,984,698	\$ 256,047	\$ 366,647	\$ 715,448	\$ 1,082,095	\$ 6,322,840

See accompanying notes to financial statements.

INTERNATIONAL RETT SYNDROME FOUNDATION

**Statement of Functional Expenses
Year Ended December 31, 2011**

	<u>Program</u>				<u>Administration</u>	<u>Fundraising</u>			<u>Total</u>
	<u>Research</u>	<u>Family Support</u>	<u>Education</u>	<u>Total</u>		<u>Appeals and General</u>	<u>Direct Special Events</u>	<u>Total</u>	
Direct program costs	\$ 2,500,643	\$ -	\$ -	\$ 2,500,643	\$ -	\$ -	\$ -	\$ -	\$ 2,500,643
Personnel related costs	240,640	178,835	-	419,475	124,773	78,614	-	78,614	622,862
Special events costs	-	-	-	-	-	-	690,734	690,734	690,734
Conferences	121,530	-	103,707	225,237	-	-	-	-	225,237
Professional fees	31,050	73,575	4,000	108,625	44,510	116,600	-	116,600	269,735
Outside services	80	10,156	203,348	213,584	5,196	32,132	-	32,132	250,912
Travel and entertainment	122,460	5,538	-	127,998	14,431	135	-	135	142,564
Occupancy costs	34,586	-	-	34,586	30,167	1,225	-	1,225	65,978
Office costs	7,242	13,099	11,345	31,686	15,379	27,590	-	27,590	74,655
Miscellaneous costs	877	727	559	2,163	42,963	8,902	200	9,102	54,228
Other expenses	-	-	-	-	15,515	20,809	-	20,809	36,324
Training and development	1,000	240	4,519	5,759	2,770	4,045	-	4,045	12,574
Insurance	35	35	-	70	11,941	-	-	-	12,011
Total expenses	\$ 3,060,143	\$ 282,205	\$ 327,478	\$ 3,669,826	\$ 307,645	\$ 290,052	\$ 690,934	\$ 980,986	\$ 4,958,457

See accompanying notes to financial statements.

INTERNATIONAL RETT SYNDROME FOUNDATION

Statements of Cash Flows Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (1,261,153)	\$ 37,038
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	7,267	9,635
Noncash stock donations	(1,397)	-
Bad debt	-	20,809
Realized and unrealized gains on investments	11,668	(28)
Change in beneficial interest in perpetual trust	(1,027)	1,161
Contributions received restricted for long-term investment	-	(198,832)
Loss on inventory	-	13,680
Loss on disposal of property and equipment	10,425	5,879
Change in:		
Accounts receivable	-	30,012
Pledges receivable	(1,392)	(9,827)
Inventory	(9)	3,355
Prepaid expenses and other assets	(20,485)	3,949
Accounts payable	9,381	(490)
Accrued liabilities	12,357	(12,155)
Grants payable to researchers	1,198,707	(278,502)
Net cash used in operating activities	(35,658)	(374,316)
Cash flows from investing activities		
Purchases of investments	(1,346,229)	(6,143)
Sales of investments	1,297,600	15,087
Purchases of property and equipment	-	(36,335)
Net cash used in investing activities	(48,629)	(27,391)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	-	198,832
Change in cash and cash equivalents	(84,287)	(202,875)
Cash and cash equivalents, beginning of year	3,281,944	3,484,819
Cash and cash equivalents, end of year	\$ 3,197,657	\$ 3,281,944

See accompanying notes to financial statements.

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

International Rett Syndrome Foundation (IRSF) was founded as a not-for-profit organization in 1999 as The Rett Syndrome Research Foundation under the laws of the State of Ohio. The name was changed to International Rett Syndrome Foundation on July 1, 2007 when the organization was merged with International Rett Syndrome Association (IRSA) and commenced operations as IRSF. IRSF's mission is to fund research for treatments and a cure for Rett syndrome while enhancing the overall quality of life for those living with Rett syndrome by providing information, programs, and services. IRSF's revenue consists primarily of private donations in order to fund research grants and provide education.

International Rett Syndrome Foundation operates the following programs:

- **Research programs** include activities focused on finding a treatment and cure for Rett Syndrome and include items such as research grants, medical symposiums and support of Natural History Study Clinics.
- **Family Support program** includes activities focused on enhancing the overall lives of those afflicted with Rett Syndrome and their families and includes items such as an 800 phone number, regional representatives and family advisory boards.
- **Education** activities focused on providing information about and raising awareness of Rett Syndrome and includes activities such as the website, newsletters, and an annual family conference.
- **Administrative and general** include operating activities such as corporate, executive, finance and human resource activities.
- **Appeals and General** includes activities of fundraising such as general contributions and appeals, fundraising office costs and personnel.
- **Direct Special Events** include activities of specific fundraising events such as dinners, parties, golf outings and strollathons.

Financial Statement Presentation

The financial statements have been prepared in accordance with applicable generally accepted accounting principles (GAAP) for not-for-profit entities that require, among other things, the net assets to be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of IRSF and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Board of Trustees to support the IRSF's purposes and operations in accordance with its bylaws.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of IRSF satisfying the purpose or the passage of time. 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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained intact in perpetuity and that only the income from the investment thereof be expended either for the general purpose of IRSF or for purposes specified by the donor. Permanently restricted net assets as of December 31, 2012 and 2011 consisted of the Helen M. McLoraine Endowment Fund and IRSF's beneficial interest in perpetual trust.

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

IRSF considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of overnight repurchase agreements. IRSF maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. IRSF has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Investments and Investment Return

Investments in money market funds and debt securities are carried at fair value. Investments in certificates of deposit are carried at amortized cost. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

IRSF's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

Pledges Receivable

Pledges receivable consists of unconditional promises to give in future years for the Combined Federal Campaign. Pledges receivable are recorded at their fair value, which is estimated as the present value of estimated future collections. Pledges receivables at the end of 2012 are expected to be collected within one year.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

Inventories

Inventories consist of educational material, such as reading books and handbooks, and other merchandise, such t-shirts and bracelets. Inventories are stated at the lower of cost or market determined by the first-in, first-out (FIFO) method. Management periodically reviews obsolete inventory and adjusts the reserve as necessary.

Beneficial Interest in Perpetual Trust

IRSF is the beneficiary under a perpetual trust administered by outside party. Under the terms of the trust, IRSF has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the principal of assets that are held in trust. These income distributions are unrestricted. This beneficial interest is recorded at the estimated value of the expected future cash flows, which represents the fair value of the trust assets. This beneficial interest is in funds held by a national foundation. The national foundation generally invests in equity and bond mutual funds. IRSF's portion of these funds had a fair value of \$19,468 in 2012 and \$18,441 in 2011.

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Payable to Researchers

Grants payable to researchers is comprised of research and post-doctoral grants approved by the Board of Trustees but not yet distributed. Grants payable extended over a year as of December 31, 2012 and 2011 were recorded at their fair value and reported as liabilities in accordance with applicable GAAP for not-for-profit entities which is estimated by discounting using rates less than one percent.

Contributions

IRSF records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, IRSF reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Donated Services

IRSF records donated services as revenues in the period received only if the services received create or enhance non-financial assets or required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services received were \$24,013 and \$20,450 in 2012 and 2011, respectively.

In-kind Donations

IRSF receives certain in-kind donations during the year, which are recorded at fair value as contribution revenue and an expense in the financial statements.

Government Fees and Grants

Support funded by grants is recognized as IRSF performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

IRSF is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. IRSF is not considered a private foundation. However, IRSF is subject to federal income tax on any unrelated business taxable income.

IRSF's Form 990 is subject to review and examination by Federal and state authorities. IRSF is not aware of any activities that would jeopardize its tax-exempt status. IRSF is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been reported on a functional basis in the accompanying statement of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by IRSF personnel.

Fair Value Measurements

Under applicable GAAP for fair value measurements and disclosures, a three-level hierarchy is established for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets; Level 2 – Inputs are observable quoted prices for similar assets in active markets; Level 3 – Inputs are unobservable and reflect management's best estimates of what market participants would use as fair value.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Event Evaluation

In preparing its financial statements, IRSF has evaluated events subsequent to the statement of financial position date through May 2, 2013, which is the date the financial statements were available to be issued.

Reclassifications

Certain 2011 balances have been reclassified to conform to the 2012 presentation.

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

NOTE 2 INVESTMENTS AT FAIR VALUE

Investments consisted of the following:

	2012	2011
Level 1:		
Equity mutual funds and common stocks	\$ 1,883,022	\$ -
Certificates of deposit	354,145	856,143
Level 2:		
Money market	211,640	1,554,306
	\$ 2,448,807	\$ 2,410,449

There were no valuations using Level 3 inputs.

Equity mutual funds and common stocks and certificates of deposit: Fair values are determined by reference to quoted market prices and other relevant information generated by market transactions. Equity mutual funds and common stock and certificates of deposit are categorized using Level 1 inputs.

Money market funds: Valued at the net asset value (“NAV”) of shares held by IRSF at year end. Money market funds are categorized as using Level 2 inputs.

Investment return is comprised of the following:

	2012	2011
Interest and dividend income	\$ 67,949	\$ 14,606
Net realized and unrealized gains (losses) on investments	(11,668)	28
	\$ 56,281	\$ 14,634

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2012	2011
Computer equipment and software	\$ 36,335	\$ 75,426
Less accumulated depreciation	(9,084)	(30,483)
	\$ 27,251	\$ 44,943

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

NOTE 4 GRANTS PAYABLE TO RESEARCHERS

Grants payable to researchers consisted of:

	2012	2011
To be paid in 2013	\$ 2,768,983	\$ 2,151,466
To be paid in 2014	1,332,113	750,292
Gross grants payable to researchers	4,101,096	2,901,758
Less discounts on long-term grants	2,173	1,542
Grants payable to researchers, net	\$ 4,098,923	\$ 2,900,216

NOTE 5 IN-KIND DONATIONS

IRSF obtains in-kind donations for special event costs as well as administrative expenses. Generally the in-kind special event costs represent donated items to be used as auction items for events.

In-kind donations have been recorded as the following expenses:

	2012	2011
Special event costs	\$ 114,820	\$ 128,823
Professional services	24,013	20,450
Office space	12,900	12,909
	\$ 151,733	\$ 162,182

NOTE 6 OPERATING LEASES

IRSF leases office space in New York, New York and Bethesda, Maryland under non-cancelable operating leases that expire at various times through July 31, 2013. Rent expense for these leases was \$55,395 in 2012 and \$35,200 in 2011. The minimum lease payments in 2013 will be \$34,582.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS AND RELEASE FROM RESTRICTIONS

Temporarily restricted net assets consisted of the following:

	2012	2011
Helen M. McLoraine Endowment Fund Earnings	\$ 17,899	\$ -
For periods after December 31	15,422	14,030
	\$ 33,321	\$ 14,030

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

**NOTE 7 TEMPORARILY RESTRICTED NET ASSETS AND RELEASE FROM RESTRICTIONS
(Continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

	2012	2011
Purpose restriction accomplished		
Research	\$ 42,169	\$ 46,274
Time restrictions expired		
Passage of specified time	14,030	60,207
	\$ 56,199	\$ 106,481

NOTE 8 SIGNIFICANT CONCENTRATIONS

IRSF received 7% in 2012 and 14% in 2011 of its revenues from two special events. A significant reduction in donations or cancellation of any of these special events could have significant impact on financial results for IRSF.

NOTE 9 HELEN M. MCLORAIN ENDOWMENT FUND

In 2010, IRSF established the Helen M. McLoraine Endowment Fund. IRSF's endowment consists of donor-restricted contributions established for a variety of purposes. The beneficial interest in perpetual trust is not considered a component of the endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The IRSF Board of Trustees follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument are classified as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees.

INTERNATIONAL RETT SYNDROME FOUNDATION

Notes to Financial Statements (Continued)

NOTE 9 HELEN M. MCLORAIN ENDOWMENT FUND (Continued)

Endowment Net Asset Composition and Changes in Endowment Net Assets

The endowment net assets consist of donor contributors that are permanently restricted. The changes in these endowment net assets were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2010	\$ -	\$ -	\$ 801,168	\$ 801,168
Contributions	-	-	198,832	198,832
Endowment net assets, December 31, 2011	-	-	1,000,000	1,000,000
Investment return	-	17,899	-	17,899
Endowment net assets, December 31, 2012	\$ -	\$ 17,899	\$ 1,000,000	\$ 1,017,899

Investment Policy

Endowment assets include those assets of donor-restricted funds that IRSF must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy

IRSF's spending policy is to transfer all investment return into unrestricted net assets or temporarily restricted net assets if directed by the donor. The endowments are maintained at their historic value annually. If the endowments have investment losses, they are replenished to their historic value from unrestricted net assets.

IRSF's Board of Trustees, by majority vote, may withdraw for IRSF's general operating purposes up to 5% of the endowment each calendar year. This withdrawal may be authorized if a specific extraordinary opportunity arises that merits such additional distribution. However, the additional distribution may not cause the endowment value to fall below the original contribution amount. The value of the endowment shall be based on the average monthly value of the endowment as of the preceding 12 months of the prior calendar year, or otherwise calculated in accordance with Ohio law.