

FSH SOCIETY
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

FSH SOCIETY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
FSH Society

We have audited the accompanying financial statements of FSH Society, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities 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.

Auditors' 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 auditors' 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 2012 financial statements referred to above present fairly, in all material respects, the financial position of FSH Society as of December 31, 2012, and the results of 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expense on page 17 is presented for purposes of additional analysis and is not a required part of the 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 audits 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.

Other Matter

The financial statements of FSH Society as of December 31, 2011 were audited by Parent, McLaughlin & Nangle Certified Public Accountants, Inc., whose practice was combined with Marcum LLP as of February 1, 2013 and whose report dated July 11, 2012, expressed an unmodified opinion on those financial statements.

Marcum LLP

Boston, MA
October 8, 2013

FSH SOCIETY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
Assets		
Cash, including interest bearing accounts of \$1,036,739 in 2012 and \$880,399 in 2011	\$ 1,352,447	\$ 1,222,000
Investments	522,726	440,054
Grants receivable	56,000	55,264
Equipment, less accumulated depreciation of \$46,900 in 2012 and \$37,890 in 2011	11,842	18,911
Prepaid expenses	4,230	2,669
Total Assets	<u>\$ 1,947,245</u>	<u>\$ 1,738,898</u>
Liabilities		
Accounts payable and accrued expenses	\$ 3,365	\$ 1,304
Accrued vacation - executive officer	13,843	--
Total Liabilities	<u>17,208</u>	<u>1,304</u>
Net Assets		
Unrestricted:		
General use	604,714	521,876
Total Unrestricted	604,714	521,876
Temporarily restricted	1,242,282	1,152,530
Permanently restricted	83,041	63,188
Total Net Assets	<u>1,930,037</u>	<u>1,737,594</u>
Total Liabilities and Net Assets	<u>\$ 1,947,245</u>	<u>\$ 1,738,898</u>

The accompanying notes are an integral part of these financial statements.

FSH SOCIETY
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue								
Contributions and grants	\$ 583,374	\$ 805,860	\$ 11,900	\$ 1,401,134	\$ 464,363	\$ 570,051	\$ 62,000	\$ 1,096,414
Donated services	154,475	--	--	154,475	116,175	--	--	116,175
Interest and dividend income	2,149	8,670	3,638	14,457	2,423	8,164	56	10,643
Net realized gain (loss) on investments	--	1,004	--	1,004	--	(2,587)	--	(2,587)
Net unrealized gain (loss) on investments	--	41,146	4,315	45,461	--	(19,197)	1,132	(18,065)
Net assets released from restrictions through satisfaction of donor restrictions	766,928	(766,928)	--	--	479,970	(479,970)	--	--
Total Revenue	<u>1,506,926</u>	<u>89,752</u>	<u>19,853</u>	<u>1,616,531</u>	<u>1,062,931</u>	<u>76,461</u>	<u>63,188</u>	<u>1,202,580</u>
Expenses								
Program services	1,099,528	--	--	1,099,528	780,790	--	--	780,790
Supporting services:								
General and administrative	207,366	--	--	207,366	147,398	--	--	147,398
Fundraising	117,194	--	--	117,194	60,475	--	--	60,475
Total Expenses	<u>1,424,088</u>	<u>--</u>	<u>--</u>	<u>1,424,088</u>	<u>988,663</u>	<u>--</u>	<u>--</u>	<u>988,663</u>
Change in Net Assets	82,838	89,752	19,853	192,443	74,268	76,461	63,188	213,917
Net Assets, Beginning of Year	<u>521,876</u>	<u>1,152,530</u>	<u>63,188</u>	<u>1,737,594</u>	<u>447,608</u>	<u>1,076,069</u>	<u>--</u>	<u>1,523,677</u>
Net Assets, End of Year	<u>\$ 604,714</u>	<u>\$ 1,242,282</u>	<u>\$ 83,041</u>	<u>\$ 1,930,037</u>	<u>\$ 521,876</u>	<u>\$ 1,152,530</u>	<u>\$ 63,188</u>	<u>\$ 1,737,594</u>

The accompanying notes are an integral part of these financial statements.

FSH SOCIETY
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ 192,443	\$ 213,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,010	9,033
Net realized (gain) loss on sales of investments	(1,004)	2,587
Net unrealized (gain) loss on investments	(45,461)	18,065
Contributions and investment return restricted for long-term purposes	(19,853)	(63,188)
Changes in assets and liabilities:		
Grants receivable	(736)	59,092
Prepaid expenses	(1,561)	(1,811)
Accounts payable and accrued expenses	2,421	(2,589)
Accrued vacation - executive director	13,483	--
Total adjustments	(43,701)	21,189
Net Cash Provided by Operating Activities	<u>148,742</u>	<u>235,106</u>
Cash Flows from Investing Activities		
Purchases of investments	(61,207)	(83,576)
Proceeds from sales of investments	25,000	12,700
Purchases of equipment	(1,941)	(6,111)
Net Cash Used by Investing Activities	<u>(38,148)</u>	<u>(76,987)</u>
Cash Flows from Investing Activities		
Contributions and investment return restricted for long-term purposes	19,853	63,188
Net Increase in Cash	130,447	221,307
Cash, Beginning of Year	<u>1,222,000</u>	<u>1,000,693</u>
Cash, End of Year	<u>\$ 1,352,447</u>	<u>\$ 1,222,000</u>

The accompanying notes are an integral part of these financial statements.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - ORGANIZATION

FSH Society (the “Society”) is a nonprofit organization, incorporated as Facioscapulohumeral Society, established to support research of and scientific investigation into, and to increase awareness and understanding of, the muscle disorder, facioscapulohumeral muscular dystrophy (“FSHD”).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Society prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of the accrual basis of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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 the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term investments with original maturities of three months or less.

INCOME TAX STATUS

The Society is, except for amounts representing unrelated business income, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Society’s information tax returns for the years prior to 2009 are by statute, no longer subject income tax examination, but the tax years 2010 through 2012 can be examined by the tax authorities. However, the Society has evaluated its position as exempt and without unrelated business income during those years. The Society believes its positions are more likely than not of being sustained if examined by the tax authorities. If upon examination a tax was assessed, then such tax, together with interest and penalties, would be classified as an expenditure in the

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX STATUS (CONTINUED)

statement of activities. If an unrecognized tax position was identified, interest and penalties associated with this position will be classified as additional income taxes in the statement of activities.

INVESTMENTS

Investments are carried at fair value in the statements of financial position. Realized and unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets, if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

CONTRIBUTIONS AND DONATED SERVICES

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. Contributions which are restricted for use whose restrictions are met in the same reporting period are reflected as unrestricted revenue.

Donated services are reflected in the financial statements when and if they meet the criteria for recognition. The Society pays for most services requiring specific expertise. However, many members volunteer their time and perform a variety of tasks that assist the Society with its meetings and events, peer review of grant applications, research programs, and committee assignments and publications. Substantially all of these tasks are performed through donated services.

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an appropriate discount rate commensurate with the risks involved. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUIPMENT

Equipment is recorded at cost. Depreciation of equipment is provided using the straight-line method based on the estimated useful lives of the respective assets, ranging from three to five years. Purchases are determined to be capital expenditures based on the Society's policy of capitalizing assets acquired at cost (or, if donated, at fair value) exceeding \$1,000. Those items which are not capital expenditures are immediately expensed. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized.

BASIS OF PRESENTATION

Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets:

Unrestricted net assets are not subject to donor-imposed stipulations. The Society may further subdivide this classification into: a) Board-designated net assets, which are designated by Board action for specific purposes; and b) general-use unrestricted net assets.

Restricted gains and investment income and donor-restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Temporarily restricted net assets:

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, whether by actions of the Society and/or the passage of time. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or programs restrictions lapse.

Permanently restricted net assets:

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Money Market Funds	\$ 35,728	\$ 35,728	\$ 14,048	\$ 14,048
Preferred Stocks & Bonds	122,605	124,508	117,927	118,872
Mutual Funds	<u>329,642</u>	<u>362,490</u>	<u>318,789</u>	<u>307,134</u>
	<u>\$ 487,975</u>	<u>\$ 522,726</u>	<u>\$ 450,764</u>	<u>\$ 440,054</u>

Realized and unrealized appreciation and depreciation of investments are reflected in the statements of activities. The following summarizes the change in unrealized appreciation/depreciation for the year ended December 31, 2012:

			Excess (Deficiency) of Fair Value Over Cost
	Cost	Fair Value	
Balances at December 31, 2012	<u>\$ 487,975</u>	<u>\$ 522,726</u>	\$ 34,751
Balances at December 31, 2011	<u>\$ 450,764</u>	<u>\$ 440,054</u>	<u>(10,710)</u>
			<u>\$ 45,461</u>

The Society invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the Society's net assets.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 - GRANTS RECEIVED AND RECEIVABLE

A \$50,000 grant from Sanford Batkin was made in 2010 to be received in three installments, \$17,000 in 2011, \$17,000 in 2012 and \$16,000 in 2013, and to be used for adult stem cell or embryonic stem cell research. A \$20,000 grant from Sanford Batkin was made in 2012 to be received in one installment, \$20,000 in 2013, to be used for improving patient access to clinics and medical information on FSHD.

A \$20,000 grant from FSHD Canada Foundation was made in 2012 to be received by January 7, 2013. These funds are to be used for research on FSHD, and specifically towards a project titled "Derivation of human induced pluripotent stem cells from FSHD patient fibroblasts".

The Society is responsible for administering and monitoring the projects and post-doctoral fellowships. The Society complied in 2011 and 2012 and fully intends to comply in 2013 with these conditions.

Grants Receivable at December 31, 2012 and 2011 were comprised of:

	2012	2011
Batkin Grant	\$ 36,000	\$ 33,000
Lai Family Grant	--	22,264
FSHD Canada Foundation	<u>20,000</u>	<u>--</u>
Grants receivable	<u>\$ 56,000</u>	<u>\$ 55,264</u>

NOTE 5 - NET ASSETS

BOARD DESIGNATED FUNDS

In 2012 and 2011, the Society did not vote to designate any unrestricted gifts.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 - NET ASSETS (CONTINUED)

TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2012 and 2011, temporarily restricted net assets consisted of the following:

	<u>2012</u>	<u>2011</u>
The William R. Lewis Family Fund	\$ 488,717	\$ 381,865
The Marjorie and Gerald Bronfman Foundation	65,113	104,954
Batkin and Younger Family Fund	51,000	33,000
FSHD Canada Foundation Fund	20,000	--
Lai Fund	12,000	72,855
Other donations designated for Research and Education	<u>605,452</u>	<u>559,856</u>
	<u>\$ 1,242,282</u>	<u>\$ 1,152,530</u>

Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by donors. During the years ended December 31, 2012 and 2011, \$766,928 and \$479,970, respectively, of temporarily restricted net assets were released from restrictions.

Released amounts include, in the case of certain research gifts, a percentage of the total permitted by the donor to be used for overhead expenses. Typically 13.33% of such donation is allocated to overhead expenses for research related projects and post-doctoral fellowships exceeding one year.

PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2012 and 2011, permanently restricted net assets consisted of the following:

	<u>2012</u>	<u>2011</u>
Edward M. Schechter Fund for FSHD	<u>\$ 83,041</u>	<u>\$ 63,188</u>

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 - COMMITMENTS

As of December 31, 2012, the Society had \$152,250 in expected future disbursements on all research grants awarded to that date. Since then, nine research grant awards totaling \$498,810 have been made and \$392,374 has been paid. Hence, at October 8, 2013, on all grants awarded to that date, the total expected future disbursements are \$258,686, all of which is payable in years beyond 2013.

The Society has an employment agreement with its President and Chief Executive Officer, Daniel Paul Perez, through December 31, 2014. The agreement provides for a salary of \$117,950 for 2012 and includes an annual cost of living adjustment. In addition, it provides for certain benefits.

The Society leased office space in Watertown, MA through March 2013. During March 2013, the Society began a two year lease for office space in Lexington, MA. The basic rent is \$1,585 per month, which includes certain general operating costs, such as certain utilities. Rent expense for each of the years ended December 31, 2012 and 2011 totaled \$21,600.

NOTE 7 - EMPLOYEE BENEFIT PLANS

Effective January 1, 2011, the Society adopted a SIMPLE IRA under which eligible employees may contribute a portion of their annual compensation. In 2012 and 2011, employee contributions to the IRA are subject to a 3% employer match. The Society's related expense was \$6,186 and \$5,215 for the years ending December 31, 2012 and 2011, respectively.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Society maintains cash balances at two regional financial institutions in Massachusetts and one major financial institution in California. Balances are insured by the Federal Deposit Insurance Corporation, up to certain limits. At various times during the year, the Society's balances at the regional institutions may have exceeded the FDIC insured limit, but the balances at the major institution never exceeded the FDIC insured limits.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 9 – FSHD CANADA AGREEMENT

On November 8, 2012, an Agency Agreement was signed between the FSH Society and the FSHD Canada Foundation. FSHD Canada Foundation is registered under the Income Tax Act (Canada) as a “charitable organization”. The FSH Society intends to assist the FSHD Canada Foundation in carrying out its charitable purposes and to perform certain activities on behalf of the FSHD Canada Foundation as follows: (i) funding specific FSHD-related scientific and clinical research and development activities in the United States of America as may be specified by the FSHD Canada Foundation from time to time; and (ii) performing all other activities in the United States consistent with the furtherance of the FSHD Canada Foundation’s charitable object of promoting scientific and clinical research and development of the causes, alleviation of suffering, treatment and cure of facioscapulohumeral muscular dystrophy.

NOTE 10 - DONATED SERVICES

Donated services of \$154,475 and \$116,175 in 2012 and 2011, respectively, are reflected in the accompanying statements as contributions at their estimated values on date of receipt; and a corresponding recognition of expenses in equal amounts is also shown in the accompanying statements.

The amounts by functional categories are as follows:

	2012	2011
Scientific Advisory Board expense	\$ 81,120	\$ 68,235
Patient outreach	27,455	20,895
Accounting	17,800	23,400
Publications and memberships	22,500	3,245
Fundraising	<u>5,600</u>	<u>400</u>
	<u>\$ 154,475</u>	<u>\$ 116,175</u>

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 11 - FAIR VALUES

The Society uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Society's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

FAIR VALUE HIERARCHY

In accordance with this guidance, the Society groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 11 - FAIR VALUES (CONTINUED)

A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured on a recurring basis follows:

INVESTMENTS

Money Market Funds, Mutual Funds, and Preferred Stock Funds: These securities are measured at fair value in Level 1 and are based on the net asset value (NAV) of shares held by the Society at year-end.

Preferred Stocks and Bonds: These securities are measured at fair value in Level 2 and are based on independent unadjusted market based prices received from a third-party pricing service that

utilizes pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads, and new issue data.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

Fair values of financial instruments measured on a recurring basis at December 31, 2012, are as follows:

	Fair Value Measurement at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 35,728	\$ 35,728	\$ --	\$ --
Preferred Stocks & Bonds	124,508	24,961	99,547	--
Mutual Funds	<u>362,490</u>	<u>362,490</u>	<u>--</u>	<u>--</u>
	<u>\$ 522,726</u>	<u>\$ 423,179</u>	<u>\$ 99,547</u>	<u>\$ --</u>

FSH SOCIETY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 11 - FAIR VALUES (CONTINUED)

Fair values of financial instruments measured on a recurring basis at December 31, 2011, are as follows:

	Fair Value Measurement at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 14,048	\$ 14,048	\$ --	\$ --
Preferred Stocks & Bonds	118,872	44,751	74,121	--
Mutual Funds	<u>307,134</u>	<u>307,134</u>	<u>--</u>	<u>--</u>
	<u>\$ 440,054</u>	<u>\$ 365,933</u>	<u>\$ 74,121</u>	<u>\$ --</u>

There were no transfers of assets among the three levels during the years ended December 31, 2012 and 2011. There were no liabilities measured at fair value at December 31, 2012 and 2011.

NOTE 12 – SUBSEQUENT EVENTS

Leases:

On March 2, 2013, the Society relocated its staff and offices to 450 Bedford Street, Lexington, Massachusetts. The Society signed a two-year sublease with Bedford-Lexington Internal Medicine for a sublease situation. The Society signed a two year lease for rental of 973 square feet of office space. The term of the sublease began on February 18, 2013. After March 1, 2014, either party may terminate the sublease with 120 days written notice. The basic rent is \$1,585 per month, which includes certain general operating costs, such as certain utilities.

Grants:

Additional grants were made after year end as described in Note 6, Commitments.

Other:

There are no other subsequent events that require adjustment to or disclosure in the financial statements. Subsequent events were evaluated by the Society through October 8, 2013, which is the date the financial statements were available to be issued.

FSH SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES

DECEMBER 31, 2012 AND 2011

	2012				2011			
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising			General and Administrative	Fundraising	
Grant awards	\$ 539,364	\$ --	\$ --	\$ 539,364	\$ 357,717	\$ --	\$ --	\$ 357,717
Officer compensation	123,198	8,035	2,678	133,911	115,893	7,558	2,519	125,970
Other salaries	149,161	28,321	11,329	188,811	126,371	23,994	9,598	159,963
Payroll taxes	18,590	2,464	1,344	22,398	16,906	2,241	1,222	20,369
Pension plan contribution	5,135	680	371	6,186	4,328	574	313	5,215
Health insurance	20,858	2,454	1,227	24,539	23,589	2,775	1,388	27,752
Scientific advisory board and other grant award related expenses	46,361	--	--	46,361	19,993	--	--	19,993
Patient meetings	58,724	--	--	58,724	512	--	--	512
Accounting and auditing	--	26,384	--	26,384	--	24,285	--	24,285
Legal expense	--	5,370	--	5,370	--	4,416	--	4,416
Office expense	919	89,920	--	90,839	442	47,808	--	48,250
Insurance	--	2,423	--	2,423	--	2,154	--	2,154
Publications and membership	14,616	--	1,303	15,919	17,847	--	1,775	19,622
Directors' expenses	2,604	--	--	2,604	3,007	--	--	3,007
Travel	113	--	2,548	2,661	480	--	2,719	3,199
Depreciation	--	9,010	--	9,010	--	9,033	--	9,033
Executive and development	3,315	--	90,794	94,109	490	--	40,541	41,031
Donated services expense	116,570	32,305	5,600	154,475	93,215	22,560	400	116,175
	<u>\$ 1,099,528</u>	<u>\$ 207,366</u>	<u>\$ 117,194</u>	<u>\$ 1,424,088</u>	<u>\$ 780,790</u>	<u>\$ 147,398</u>	<u>\$ 60,475</u>	<u>\$ 988,663</u>

See accompanying independent auditors' report.