

**VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
VHL Alliance Inc.
(Formerly The VHL Family Alliance, Inc.)
Boston, Massachusetts

We have audited the accompanying financial statements of VHL Alliance, Inc. (A Nonprofit Organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VHL Alliance, Inc. as of June 30, 2013 and 2012, 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.



October 4, 2013

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 257,196	\$ 91,987
Grants and contributions receivable	5,298	-
Marketable securities	75,417	73,103
Prepaid expenses	5,654	4,298
Total Current Assets	<u>343,565</u>	<u>169,388</u>
Property and Equipment, Net	<u>8,893</u>	<u>11,121</u>
Total Assets	<u><u>\$ 352,458</u></u>	<u><u>\$ 180,509</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 5,356	\$ 5,184
Grants payable	1,190	-
Deferred revenue	610	257
Total Current Liabilities	<u>7,156</u>	<u>5,441</u>
Net Assets:		
Unrestricted	329,202	163,668
Temporarily restricted	16,100	11,400
Total Net Assets	<u>345,302</u>	<u>175,068</u>
Total Liabilities and Net Assets	<u><u>\$ 352,458</u></u>	<u><u>\$ 180,509</u></u>

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

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets Activity:		
Revenues and Support:		
Contributions, general	\$ 317,013	\$ 234,788
Contributions, research	58,988	10,250
Grants	5,000	-
In-kind donations	42,563	133,441
Conference registrations	3,300	-
Sales, promotional materials	2,079	1,760
Investment return	2,742	4,484
Other income	410	510
Net assets released from restrictions	11,400	-
Total Revenues and Support	<u>443,495</u>	<u>385,233</u>
Expenses:		
Education	164,878	141,700
Research	49,429	181,304
Fundraising	54,776	19,686
General and administrative	8,878	26,581
Total Expenses	<u>277,961</u>	<u>369,271</u>
Change in Net Assets, Unrestricted	165,534	15,962
Net Assets, Unrestricted, Beginning of Year	<u>163,668</u>	<u>147,706</u>
Net Assets, Unrestricted, End of Year	<u><u>\$ 329,202</u></u>	<u><u>\$ 163,668</u></u>
Temporarily Restricted Net Assets Activity:		
Revenues and Support:		
Contributions, general	16,100	11,400
Net assets released from restrictions	(11,400)	-
Total Revenues and Support	<u>4,700</u>	<u>11,400</u>
Change in Net Assets, Temporarily Restricted	4,700	11,400
Net Assets, Temporarily Restricted, Beginning of Year	<u>11,400</u>	<u>-</u>
Net Assets, Temporarily Restricted, End of Year	<u><u>\$ 16,100</u></u>	<u><u>\$ 11,400</u></u>

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VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Education	Reseach	Fundraising	General & Administrative	Total
Grants awarded	\$ -	\$ 1,190	\$ -	\$ -	\$ 1,190
Salary, executive director	48,000	19,500	4,500	3,000	75,000
Salaries, other	27,514	11,178	1,720	2,579	42,991
Payroll taxes	6,166	2,505	385	578	9,634
Audit	3,850	1,050	50	50	5,000
Bank charges	152	20	4,561	-	4,733
Computer services	3,330	931	(257)	8	4,012
Depreciation	3,723	-	-	-	3,723
Donated services, materials					
travel and conferences	16,423	2,958	22,312	21	41,714
Dues and subscriptions	1,300	-	-	-	1,300
Gifts	348	-	50	-	398
Insurance, general	1,519	414	20	3	1,956
Insurance, employee health	2,688	2,016	48	48	4,800
Legal services	-	-	5,800	-	5,800
Miscellaneous	1,703	1,164	44	31	2,942
Outside services	3,922	488	33	394	4,837
Payroll service fees	1,004	408	63	94	1,569
Postage	9,454	-	(156)	415	9,713
Printing and publications	10,624	-	-	-	10,624
Public relations, general	4,851	185	12,884	9	17,929
Rent	11,642	2,268	151	1,058	15,119
State filing fees	-	-	2,506	125	2,631
Supplies	2,346	400	18	55	2,819
Telephone	3,384	659	44	308	4,395
Travel	935	2,095	-	102	3,132
	<u>\$ 164,878</u>	<u>\$ 49,429</u>	<u>\$ 54,776</u>	<u>\$ 8,878</u>	<u>\$ 277,961</u>

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

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Education	Research	Fundraising	General & Administration	Total
Grants awarded	\$ -	\$ 1,358	\$ -	\$ -	\$ 1,358
Salary, executive director	39,600	16,087	2,475	3,713	61,875
Salaries, other	29,571	12,013	1,848	2,772	46,204
Payroll taxes	6,153	2,500	385	577	9,615
Audit	-	-	-	8,000	8,000
Bank charges	-	68	2,747	175	2,990
Computer services	5,442	908	-	99	6,449
Depreciation	3,183	-	-	-	3,183
Donated services, materials					
travel and conferences	1,365	129,977	-	2,099	133,441
Dues and subscriptions	200	-	950	-	1,150
Insurance, general	-	-	-	563	563
Insurance, employee health	3,305	-	-	-	3,305
Legal services	-	-	5,775	-	5,775
Miscellaneous	299	-	28	460	787
Outside services	3,454	2,345	20	140	5,959
Outside services, tissue bank	-	1,000	-	-	1,000
Payroll service fees	1,040	422	65	97	1,624
Postage	5,734	-	88	385	6,207
Printing and publications	18,265	-	1,047	120	19,432
Public relations, general	4,799	-	1,331	-	6,130
Rent	10,578	2,061	137	962	13,738
State filing fees	-	-	2,771	225	2,996
Supplies	3,514	-	-	5,175	8,689
Telephone	2,555	498	33	559	3,645
Training	295	-	-	-	295
Travel	2,348	12,067	(14)	460	14,861
	<u>\$ 141,700</u>	<u>\$ 181,304</u>	<u>\$ 19,686</u>	<u>\$ 26,581</u>	<u>\$ 369,271</u>

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

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Cash received from contributions and grants	\$ 382,490	\$ 243,441
Cash received from sales, promotional materials	2,079	1,760
Cash received from conference registrations	3,300	-
Cash received from other income	410	510
Interest and dividends received	3,465	4,341
Cash paid to suppliers and employees	(232,517)	(238,403)
Cash paid for grants	-	(46,178)
Net cash flows from operating activities	<u>159,227</u>	<u>(34,529)</u>
Cash Flows From Investing Activities:		
Proceeds from the sale of marketable securities	9,466	73,819
Purchases of marketable securities	(2,838)	(2,891)
Purchases of furniture and equipment	(646)	(797)
Net cash flows from investing activities	<u>5,982</u>	<u>70,131</u>
Net Increase in Cash and Cash Equivalents	165,209	35,602
Cash and Cash Equivalents, Beginning of Year	<u>91,987</u>	<u>56,385</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 257,196</u></u>	<u><u>\$ 91,987</u></u>
Reconciliation of Change in Net Assets to		
Net Cash Flows From Operating Activities:		
Change in net assets	<u>\$ 170,234</u>	<u>\$ 27,362</u>
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		
Contribution of property & equipment	(849)	-
Contribution of marketable securities	(9,665)	(13,254)
Loss (gain) on sale of marketable securities	199	(565)
Unrealized loss on marketable securities	524	422
Depreciation	3,723	3,183
Decrease (increase) in operating assets:		
Grants and contributions receivable	(5,298)	-
Prepaid expenses	(1,356)	(1,763)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	172	(5,351)
Grants payable	1,190	(44,820)
Deferred revenue	353	257
Total adjustments	<u>(11,007)</u>	<u>(61,891)</u>
Net cash flows from operating activities	<u><u>\$ 159,227</u></u>	<u><u>\$ (34,529)</u></u>

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

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies:

Organization

VHL Alliance, Inc. (the "Organization"), a nonprofit corporation founded in 1993, is the primary resource or clearinghouse for information and support for von Hippel-Lindau disease ("VHL") for the benefit of patients, caregivers, researchers, clinicians, and the general public. Programs include handbooks translated into 7 different languages, including one specifically designed for children, a hotline which operates 24 hours per day and 7 days per week, competitive research grants, online communities, scientific and clinical conferences, and other services to provide information about VHL to the public.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. At June 30, 2013 and 2012, the Organization had both unrestricted and temporarily restricted net assets.

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted revenues and support depending on the existence and/or nature of any donors' or grantors' restrictions. Contributions and grants that are restricted by donors or grantors are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions or grants received in the same year that the restriction lapses or expires are recorded as unrestricted revenues or support. Contributions and grants are recorded at their fair values.

Cash and Cash Equivalents

Cash and cash equivalents includes investments in money market funds.

Marketable Securities

Marketable securities typically consist of mutual funds and various debt and equity securities and are valued at their fair values in the statement of financial position. Fair value has been determined based upon quoted market price. The cost of debt securities has been adjusted for the accretion of discounts or amortization of premiums. Realized and unrealized gains and losses are included in the change in net assets and are recognized on the specific identification method. Investment income is recognized as earned.

Fair Value Measurements

The Organization follows the professional standards as specified in FASB ASB 820-10, *Fair Value Measurements*. Those standards establish a framework for measuring fair value of assets and liabilities such as marketable securities and derivative financial instruments. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), then to inputs other than quoted market prices that are observable for the assets or liabilities, either directly or indirectly (level 2 measurements). The hierarchy gives the lowest priority to unobservable inputs for the assets or liabilities (level 3 measurements). The Organization measures the fair value of its investment holdings using level 1 inputs.

Deferred Revenue

Deferred revenue results from funds received in advance of programs occurring subsequent to year end. Such amounts received, but not yet earned, are reported as deferred revenue until the following year when they are used to meet expenses associated with the related programs.

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies (Continued):

Furniture and Equipment

Furniture and equipment are recorded at cost if acquired by purchase and fair value if acquired by gift. The cost or carrying value of these assets is depreciated using the straight-line method over their estimated useful lives. It is the policy of the Organization to capitalize expenditures for major additions and improvements valued at \$500 or more and to charge to operating expenses the cost of current maintenance and repair expenditures which do not materially improve or extend the lives of the respective assets.

Advertising and Public Relations

The Organization expenses advertising and public relations costs, consisting primarily of program literature, as incurred

Tax Status

The Organization is a nonprofit organization other than a private foundation and is, therefore, exempt from income taxes pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions to the Organization are tax deductible by the donors.

Management has evaluated significant tax positions against criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2013. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organizations's annual information returns are currently subject to examination by taxing authorities for the years ended June 30, 2011 through June 30, 2013.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 differ from those estimates.

Note 2 - Marketable Securities:

Marketable securities are stated at fair value and consist of mutual funds and other securities as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2013</u>			
Mutual funds	\$ 77,762	\$ 75,417	\$ (2,345)
Other securities	-	-	-
Totals	<u>\$ 77,762</u>	<u>\$ 75,417</u>	<u>\$ (2,345)</u>
<u>June 30, 2012</u>			
Mutual funds	\$ 74,924	\$ 73,103	\$ (1,821)
Other securities	-	-	-
Totals	<u>\$ 74,924</u>	<u>\$ 73,103</u>	<u>\$ (1,821)</u>

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 2 - Marketable Securities (Continued):

The Organization owns shares in one mutual fund which invests primarily in investment grade and high yield short duration mortgage, corporate, government and asset backed securities. The mutual fund's fair market value is based on net asset value per share as reported by the mutual fund. The underlying investments of the mutual fund are primarily Level 1 valuations. Fair market value of the mutual fund by the net asset value method in this manner is also considered to be a Level 1 valuation. Except in unusual circumstances, the mutual fund will allow redemption of shares at current net asset value at any time, with no redemption fees or waiting period. The following table presents information about the Organization's investments measured under the fair value measurement hierarchy at June 30, 2013 and 2012, respectively:

	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>June 30, 2013</u>				
Investment in mutual fund	\$ 75,417	\$ -	\$ -	\$ 75,417
<u>June 30, 2012</u>				
Investment in mutual fund	\$ 73,103	\$ -	\$ -	\$ 73,103

Investment return consists of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Dividend income	\$ 2,929	\$ 2,986
Interest income, investments	-	1,104
Interest income, banks	536	251
Realized gains on investments, net	(199)	565
Unrealized losses on investments, net	(524)	(422)
Total investment return	<u>\$ 2,742</u>	<u>\$ 4,484</u>

Note 3 - Furniture and Equipment, Net:

	2013	2012
Equipment	\$ 13,920	\$ 12,425
Software	9,050	9,050
Subtotal	22,970	21,475
Less - accumulated depreciation	14,077	10,354
Net book value	<u>\$ 8,893</u>	<u>\$ 11,121</u>

Depreciation expense was \$3,723 and \$3,183 for the years ended June 30, 2013 and 2012, respectively.

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 4 - Temporarily Restricted Net Assets:

During the year ended June 30, 2013, the Organization recorded contributions in the amount of \$16,100, which were temporarily restricted for programs occurring during the next fiscal year.

During the year ended June 30, 2012, the Organization recorded contributions in the amount of \$11,400, which were temporarily restricted for programs occurring during the next fiscal year. These restricted contributions were released during the June 30, 2013 year upon program occurrence.

Note 5 - Contributed Assets and Services:

Generally accepted accounting principles require that donated services be recognized as contributions if the services either (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

For the year ended June 30, 2013, the Organization received a donated laser printer. A fair value of \$849 was recorded as in-kind donations in the Statement of Activities and as property and equipment in the Statement of Financial Position.

For the years ended June 30, 2013 and 2012, the Organization received donated services for technical support of computer operations and for website modification and upkeep. Fair values of \$7,849 and \$3,464 for the years ended June 30, 2013 and 2012, respectively, were recorded as both in-kind donations and related donated service expense in the Statements of Activities.

For the years ended June 30, 2013 and 2012, the Organization received donated travel costs related to Organization programs. Fair values of \$2,143 and \$2,062 for the years ended June 30, 2013 and 2012, respectively, were recorded as both in-kind donations and related donated travel expense in the Statements of Activities.

For the years ended June 30, 2013 and 2012, the Organization received donated costs related to the Organization's major annual conference. These costs included venue rental, speaker fees, travel, program materials and food. Fair values of \$31,722 and \$127,915 for the years ended June 30, 2013 and 2012, respectively, were recorded as both in-kind donations and related donated service expense in the Statement of Activities.

The Organization's officers, directors and volunteers also contribute significant amounts of time in program, administrative and fund-raising activities without being paid. These donated services are not recognized in the financial statements because they do not meet the criteria for recognition under professional standards.

Note 6 - Major Donors:

A significant amount of contribution income reported by the Organization comes from several major donors, whose contributions exceed \$5,000 individually. For the years ended June 30, 2013 and 2012, such contributions represented 41.81% and 35.11%, respectively, of total contributions reported, comprised of seventeen donors and eleven donors, respectively.

VHL ALLIANCE, INC.
(FORMERLY THE VHL FAMILY ALLIANCE, INC.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 7 - Grants Awarded:

During the year ended June 30, 2013, The Organization awarded a grant with a one year commitments to Dr. Othon Iliopoulos, Associate Professor of Medicine at Harvard Medical School, in the amount of \$1,190, for hemangioblastomas research. The grant award was reported as grants payable at June 30, 2013 and was funded during the June 30, 2014 year.

During the year ended June 30, 2012, the Organization awarded and funded a grant with a one-year commitment to The Amrita Institute of Medical Sciences, Kochi, Kerala, India, in the amount of \$1,358, for starting VHL gene sequencing research and furthering the implementation of DNA testing in India.

Note 8 - Lease Obligation:

Effective December 1, 2011, the Organization entered into a five-year lease expiring November 30, 2016. Base rental charges are \$1,260 per month during the term of the lease. In addition to the minimum annual rent, the Organization is responsible for 3% of any increase in the real estate taxes levied against the land and building over the taxes assessed for the base year, defined as fiscal 2011.

Total rent expense was \$15,119 and \$13,738 for the years ended June 30, 2013 and 2012, respectively.

Future minimum rental payments under the current lease are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 15,120
2015	15,120
2016	15,120
Thereafter	6,300
	<u>\$ 51,660</u>

Note 9 - Other Concentrations of Credit Risk:

The Organization maintains its cash and cash equivalent balances at one financial institution and one brokerage. Effective January 1, 2013, the Federal Deposit Insurance Corporation will no longer insure non-interest bearing accounts in full. The balances in these accounts will be added to other deposit accounts and the aggregate balance will be insured at each financial institution up to \$250,000. All balances exceeding the Standard Maximum Deposit Insurance amount of \$250,000 will be at risk. At June 30, 2013, the Organization's uninsured cash balances in the financial institutions totaled approximately \$7,200. Cash and cash equivalents held by the brokerage are subject to certain insurance coverage through Securities Investor Protection Corporation. Management monitors the financial condition of the institutions and the brokerage, as well as amounts on deposit, in order to minimize its exposure to concentrations of credit risk.

Note 10 - Evaluation of Subsequent Events:

Management has evaluated events and transactions from the balance sheet date through October 4, 2013, the date the financial statements were available to be issued. Management noted no transactions, and only the following event, that requires recognition or disclosure in these financial statements. Effective August 14, 2013 the Organization officially changed its name from "The VHL Family Alliance Inc." to "VHL Alliance Inc."