

Foundation for Prader-Willi Research, Inc.

Financial Statements

December 31, 2021



Independent Auditors' Report

**Board of Directors
Foundation for Prader-Willi Research, Inc.**

Opinion

We have audited the accompanying financial statements of Foundation for Prader-Willi Research, Inc. (the "Foundation") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent to the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 13, 2022

Foundation for Prader-Willi Research, Inc.

Statement of Financial Position
December 31, 2021
(with comparative amounts at December 31, 2020)

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,555,746 | \$ 2,403,265 |
| Contributions receivable, net of allowance for doubtful accounts of \$8,500 | 459,250 | 298,149 |
| Prepaid expenses | 130,629 | 131,011 |
| Property and equipment, net | 1,548 | 3,870 |
| Mission related investments | 430,000 | 265,000 |
| Investments | <u>3,167,437</u> | <u>3,184,633</u> |
| | <u>\$ 6,744,610</u> | <u>\$ 6,285,928</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 61,609 | \$ 50,920 |
| Grants payable | 1,409,874 | 1,690,517 |
| Paycheck Protection Program loan payable | - | 159,300 |
| Deferred revenue | <u>1,750</u> | <u>6,375</u> |
| Total Liabilities | <u>1,473,233</u> | <u>1,907,112</u> |
| Net Assets | | |
| Without donor restrictions | 4,990,690 | 3,964,396 |
| With donor restrictions | <u>280,687</u> | <u>414,420</u> |
| Total Net Assets | <u>5,271,377</u> | <u>4,378,816</u> |
| | <u>\$ 6,744,610</u> | <u>\$ 6,285,928</u> |

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Statement of Activities
Year Ended December 31, 2021
(with summarized totals for year ended December 31, 2020)

| | 2021 | | | 2020 |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Gifts and contributions | \$ 2,784,703 | \$ 245,244 | \$ 3,029,947 | \$ 3,212,092 |
| Special events revenue, net of costs of direct benefit to donors of \$60,422 and \$37,582 | 267,381 | - | 267,381 | 267,161 |
| Conference revenue | 235,036 | - | 235,036 | 149,555 |
| Other income | 15,000 | - | 15,000 | 15,000 |
| Investment return | 1,778 | - | 1,778 | 13,172 |
| Net assets released from restrictions | <u>378,977</u> | <u>(378,977)</u> | <u>-</u> | <u>-</u> |
| Total Revenue and Support | <u>3,682,875</u> | <u>(133,733)</u> | <u>3,549,142</u> | <u>3,656,980</u> |
| EXPENSES | | | | |
| Programs | 2,370,613 | - | 2,370,613 | 2,274,050 |
| General and administrative | 298,431 | - | 298,431 | 351,131 |
| Fundraising | <u>277,547</u> | <u>-</u> | <u>277,547</u> | <u>256,663</u> |
| Total Expenses | <u>2,946,591</u> | <u>-</u> | <u>2,946,591</u> | <u>2,881,844</u> |
| Excess (Deficiency) of Support and Revenue Over Expenses | 736,284 | (133,733) | 602,551 | 775,136 |
| NON-OPERATING ACTIVITY | | | | |
| CARES Act stimulus | <u>290,010</u> | <u>-</u> | <u>290,010</u> | <u>-</u> |
| Change in Net Assets | 1,026,294 | (133,733) | 892,561 | 775,136 |
| NET ASSETS | | | | |
| Beginning of year | <u>3,964,396</u> | <u>414,420</u> | <u>4,378,816</u> | <u>3,603,680</u> |
| End of year | <u>\$ 4,990,690</u> | <u>\$ 280,687</u> | <u>\$ 5,271,377</u> | <u>\$ 4,378,816</u> |

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021
(with summarized totals for the year ended December 31, 2020)

| | 2021 | | | | 2020 Total | |
|---|---------------------|-------------------------------|-------------------|--|---------------------|---------------------|
| | Programs | General and Administrative | Fundraising | Cost of Direct Benefit to Donors | | Total |
| Research grants, net of refunds of \$71,349 and \$0 | \$ 1,554,437 | \$ - | \$ - | \$ - | \$ 1,554,437 | \$ 1,400,916 |
| Personnel costs | 668,713 | 66,499 | 221,683 | - | 956,895 | 1,035,068 |
| Professional fees | 51,520 | 142,064 | 11,575 | - | 205,159 | 203,763 |
| Travel | 654 | - | 129 | - | 783 | 6,092 |
| Catering | - | - | - | 25,500 | 25,500 | 2,179 |
| Website | 455 | 30,241 | - | - | 30,696 | 25,993 |
| Bank fees | 213 | 4,444 | 27,062 | - | 31,719 | 28,183 |
| Insurance | - | 13,202 | - | - | 13,202 | 12,826 |
| Postage and printing | 2,141 | 1,875 | 12,018 | - | 16,034 | 13,961 |
| Supplies | - | 5,355 | - | 15,561 | 20,916 | 22,661 |
| Dues and subscriptions | 17,664 | 25,815 | - | - | 43,479 | 41,525 |
| Taxes and licenses | - | - | - | - | - | 525 |
| Telephone | - | 2,885 | - | - | 2,885 | 3,398 |
| Location rental | 21,444 | 844 | - | 18,611 | 40,899 | 35,598 |
| Other expenses | 53,372 | 2,312 | - | - | 55,684 | 77,139 |
| Marketing and promotion | - | 573 | 5,080 | - | 5,653 | 2,726 |
| Entertainment | - | - | - | 750 | 750 | 4,550 |
| Depreciation | - | 2,322 | - | - | 2,322 | 2,323 |
| | <u>2,370,613</u> | <u>298,431</u> | <u>277,547</u> | <u>60,422</u> | <u>3,007,013</u> | <u>2,919,426</u> |
| Less direct benefit to donors | - | - | - | (60,422) | (60,422) | (37,582) |
| Total Expenses Reported by Function on Statement of Activities | <u>\$ 2,370,613</u> | <u>\$ 298,431</u> | <u>\$ 277,547</u> | <u>\$ -</u> | <u>\$ 2,946,591</u> | <u>\$ 2,881,844</u> |

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Statement of Cash Flows
Year Ended December 31, 2021
(with comparative amounts for year ended December 31, 2020)

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 892,561 | \$ 775,136 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 2,322 | 2,323 |
| Unrealized gain on investments | (193) | (1,616) |
| Accrued interest on mission related investment | (15,000) | (15,000) |
| Realized loss on investments | 92 | - |
| Donated investments | (24,731) | - |
| Forgiveness of Paycheck Protection Program loans | (287,708) | - |
| Changes in operating assets and liabilities | | |
| Contributions receivable | (161,101) | (114,411) |
| Prepaid expenses | 382 | (66,776) |
| Accounts payable and accrued expenses | 10,689 | (39,041) |
| Grants payable | (280,643) | (328,251) |
| Deferred revenue | (4,625) | 6,375 |
| Net Cash from Operating Activities | 132,045 | 218,739 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | - | (11,804) |
| Net proceeds from sales of investments | 42,028 | - |
| Purchase of mission related investment | (150,000) | (100,000) |
| Net Cash from Investing Activities | (107,972) | (111,804) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program loan | 128,408 | 159,300 |
| Net Change in Cash and Cash Equivalents | 152,481 | 266,235 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 2,403,265 | 2,137,030 |
| End of year | \$ 2,555,746 | \$ 2,403,265 |
| NON CASH FINANCING ACTIVITY | | |
| Forgiveness of Paycheck Protection Program loans | \$ 287,708 | \$ - |

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2021

1. Organization and Tax Status

The Foundation for Prader-Willi Research, Inc. (the “Foundation”) is a nonprofit organization founded in 2003, to eliminate the challenges of Prader-Willi syndrome through the advancement of research and therapeutic development. The Foundation makes grants to projects conducting research related to Prader-Willi syndrome.

The Foundation operates as public charity under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of the Foundation’s operations. Net assets without donor restrictions may be used at the discretion of the Foundation’s management and board of directors.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Foundation to maintain in perpetuity, the income of which can be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

The Foundation follows the practice of capitalizing all expenditures for property and equipment with a cost in excess of \$1,000 and a useful life of three years or more. Property and equipment are reflected at cost, or fair value at the time of the donation. Depreciation and amortization is recognized on a straight-line basis over 3 years.

When property and equipment is sold, retired or disposed, the cost and related accumulated depreciation is removed from the accounts and any gain or loss is reported in the statement of activities.

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and used to the extent that observable inputs do not exist.

Investments and Investment Income Recognition

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income is recorded when earned. Unrealized gains and losses are included in the determination of the change in net assets.

Grants Payable

The Foundation recognizes grant expense in the period in which the commitment is made. Grants payable consists of amounts not paid at year end under these commitments. All grants payable are expected to be paid within one year.

Revenue Recognition

The Foundation recognizes conference revenue when earned, which is the period in which the conference takes place. The Foundation recognizes grants, contributions and pledges as revenues and support in the period in which they are promised. All contributions receivable are expected to be paid within one year. The Foundation determines whether an allowance for uncollectible balances should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Marketing and Promotion

Marketing and promotion expenses have been charged to operations as incurred.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Foundation allocates direct costs to program services. Supporting services include general and administrative and fundraising. Allocated expenses among program services and general and administrative, and fundraising include personnel costs, dues and subscriptions, professional fees, and other expenses which are allocated based on time and costs where efforts are made.

Prior Year Summarized Comparative Information

Information as of and for the year ended December 31, 2020 is presented for comparative purposes only. Certain activity by functional expense and net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended December 31, 2020, from which the summarized comparative information was derived.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and contributions receivable. The Foundation maintains its cash accounts with a major financial institution which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk. Investments primarily consist of money market funds and are overseen by the board. The Foundation believes no significant concentration of credit risk exists with respect to its contributions due to the historical collection rate.

Contributed Services

A number of volunteers have donated significant amounts of time to the Foundation's fundraising efforts; however, these donated services are not reflected in the financial statements as they do not meet the criteria for recognition as contributed services.

Measure of Operations

The Foundation has elected to present an operating measure in its statement of activities. Accordingly, items affecting operations are segregated from those not affecting operations. The CARES act stimulus is treated as non-operating.

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely not to be sustained. Management has determined that the Foundation had no uncertain positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2018.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is dated September 13, 2022.

3. Property and Equipment

Property and equipment consisted of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|-----------------|-----------------|
| Computer equipment | \$ 6,967 | \$ 6,967 |
| Less: accumulated depreciation | <u>5,419</u> | <u>3,097</u> |
| | <u>\$ 1,548</u> | <u>\$ 3,870</u> |

4. Mission Related Investments

Mission related investments are made with the objective of achieving a social impact with market returns. At December 31, 2021, mission related investments include three investments of \$180,000, \$100,000, and \$150,000, including accrued interest of \$30,000, with an interest rate of 10%. At December 31, 2020, the mission related investment included two investments of \$165,000 and \$100,000, including accrued interest of \$15,000, with an interest rate of 10%. These investments have no maturity, however, there are convertible features to the promissory note as defined in the agreements.

5. Investments

The following is a summary of investments measured at fair value by major types as of December 31:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|---------------------|---------------------|
| Level 1 investments | | |
| Mutual fund-equities | \$ 5,542 | \$ 1,054 |
| Investment cash, at cost | <u>3,161,895</u> | <u>3,183,579</u> |
| Total investments | <u>\$ 3,167,437</u> | <u>\$ 3,184,633</u> |

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2021

6. Liquidity and Availability of Financial Assets

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions as of December 31, consist of the following:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,555,746 | \$ 2,403,265 |
| Contributions receivable, net | 459,250 | 298,149 |
| Mission related investment | 430,000 | 265,000 |
| Investments | <u>3,167,437</u> | <u>3,184,633</u> |
| Financial Assets at Year-End | <u>6,612,433</u> | <u>6,151,047</u> |
| Less amounts unavailable for general expenditures due to: | | |
| Mission related investments (illiquid) | (430,000) | (265,000) |
| Donor-imposed restrictions | <u>(280,687)</u> | <u>(414,420)</u> |
| | <u>(710,687)</u> | <u>(679,420)</u> |
| Financial Assets at Year-End Available to Meet Cash Needs for General Expenditure Within One Year | <u>\$ 5,901,746</u> | <u>\$ 5,471,627</u> |

The Foundation's cash flows have seasonal variation during the year due to the Foundation's activity during the traditional fundraising season. The Foundation is typically able to manage liquidity through donations. The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments.

7. PPP Loan Payable

On April 7, 2020, the Foundation received loan proceeds in the amount of \$159,300 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the 2019 average monthly payroll expenses of the qualifying business. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of the loan forgiveness is determined by the United States Small Business Administration ("SBA"). The loan was forgiven on April 22, 2021.

On February 24, 2021, the Foundation received a second draw from the PPP in the amount of \$128,408, at a fixed interest rate of 1%. This loan was forgiven on August 23, 2021. Both loans are recorded as revenue as CARES Act stimulus on the 2021 statement of activities.

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2021

8. Risks and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. While management has implemented measures to mitigate the impact of the pandemic, including obtaining PPP loans under the CARES Act as described in Note 7, the extent to which the Foundation's operations are impacted will depend on future developments.

As a result, management cannot reasonably estimate the overall impact of the coronavirus pandemic to the Foundation's future results of operations, cash flows, or financial condition.

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