

Foundation for Prader-Willi Research, Inc.

Financial Statements

December 31, 2017

Independent Auditors' Report

Board of Directors

Foundation for Prader-Willi Research, Inc.

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, 2017, and the related statements of activities, functional expenses 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 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 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 financial statements referred to above present fairly in all material respects, the financial position of Foundation for Prader-Willi Research, Inc. as of December 31, 2017, and 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 31, 2018

Foundation for Prader-Willi Research, Inc.

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,613,867	\$ 1,844,216
Contributions receivable	131,460	672
Prepaid expenses	17,993	14,132
Investments	<u>3,043,523</u>	<u>3,018,803</u>
 Total Assets	 <u>\$ 4,806,843</u>	 <u>\$ 4,877,823</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 39,255	\$ 58,055
Grants payable	<u>1,140,566</u>	<u>1,460,342</u>
Total Liabilities	1,179,821	1,518,397
 Net Assets		
Unrestricted	<u>3,627,022</u>	<u>3,359,426</u>
 Total Liabilities and Net Assets	 <u>\$ 4,806,843</u>	 <u>\$ 4,877,823</u>

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Statement of Activities
Year Ended December 31, 2017
(with comparative amounts for year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
Gifts and contributions	\$ 2,690,037	\$ 2,887,700
Special events revenue, net of direct costs of \$86,623 and \$157,891	500,815	372,455
Interest income	25,649	17,552
Unrealized gain on investments	893	745
Foreign exchange gain	-	3,587
Total Revenue and Support	<u>3,217,394</u>	<u>3,282,039</u>
EXPENSES		
Programs	2,202,930	2,412,058
General and administrative	409,505	225,532
Fundraising	<u>337,363</u>	<u>356,968</u>
Total Expenses	<u>2,949,798</u>	<u>2,994,558</u>
Change in Net Assets	267,596	287,481
Unrestricted net assets, beginning of year	<u>3,359,426</u>	<u>3,071,945</u>
Unrestricted net assets, end of year	<u>\$ 3,627,022</u>	<u>\$ 3,359,426</u>

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	2017			2016 Total	
	Programs	General and Administrative	Fundraising		Total
DIRECT EXPENSES					
Research	\$ 1,493,222	\$ -	\$ 100	\$ 1,493,322	\$ 1,710,765
Personnel costs	486,846	150,973	121,538	759,357	604,521
Professional fees	112,493	151,724	80,776	344,993	290,459
Travel	31,446	8,119	5,508	45,073	68,604
Catering	40,435	8,683	38,258	87,376	110,794
Website	398	1,608	60	2,066	45,753
Bank fees	-	-	24,586	24,586	43,988
Postage and printing	2,205	5,284	11,499	18,988	12,121
Insurance	-	10,238	-	10,238	9,960
Telephone	-	5,092	-	5,092	5,218
Supplies	2,260	2,822	10,397	15,479	9,639
Dues and subscriptions	16,432	59,233	893	76,558	22,944
Taxes and licenses	-	291	-	291	617
Graphic design	-	-	-	-	6,975
Conference expenses	7,281	2,473	27,125	36,879	15,175
Location rental	-	-	-	-	7,763
Other expenses	8,783	2,725	10,794	22,302	17,594
Marketing and promotion	596	240	2,432	3,268	5,575
Entertainment	-	-	3,000	3,000	300
Miscellaneous expenses	534	-	396	930	5,793
	<u>\$ 2,202,930</u>	<u>\$ 409,505</u>	<u>\$ 337,363</u>	<u>\$ 2,949,798</u>	<u>\$ 2,994,558</u>

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative amounts for year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 267,596	\$ 287,481
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain on investments	(893)	(745)
Changes in operating assets and liabilities		
Contributions receivable	(130,788)	74,328
Prepaid expenses	(3,861)	36,705
Accounts payable and accrued expenses	(18,800)	(45,883)
Grants payable	<u>(319,776)</u>	<u>(415,006)</u>
Net Cash from Operating Activities	(474,118)	(350,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	<u>(23,827)</u>	<u>(18,058)</u>
Net Change in Cash and Cash Equivalents	(230,349)	(81,178)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,844,216</u>	<u>1,925,394</u>
End of year	<u>\$ 1,613,867</u>	<u>\$ 1,844,216</u>

See notes to financial statements

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. As of December 31, 2017 and 2016, the Foundation's net assets are neither permanently nor temporarily restricted by donor imposed restrictions and are classified as unrestricted.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

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, 2017 and 2016

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

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 use 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 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. Management deems all receivable amounts to be fully collected within the year, therefore, no allowance has been established.

Functional Allocation of Expenses

The cost of providing the research program and other activities has been summarized on a functional basis. Expenses that can be identified with the research program or other activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on evaluations of the related benefits.

Concentration of Credit Risk

Financial Instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, and investments. The Foundation maintains its cash accounts with a major financial institution which, at time, 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 markets and certificates of deposit and is overseen by the board.

Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

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.

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 2014.

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 May 31, 2018.

3. Investments

The following is a summary of investments measured at fair value by major types as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Level 1 investments: Mutual fund-equities	\$ 5,197	\$ 4,271
Certificates of deposits, at cost plus accrued interest	2,035,483	2,504,429
Investment cash, at cost	<u>1,002,843</u>	<u>510,103</u>
Total investments	<u>\$ 3,043,523</u>	<u>\$ 3,018,803</u>

Certificates of deposit are stated at cost plus any accrued interest (which approximates fair value). The certificates of deposit at December 31, 2017 and 2016, bear interest ranging from 1.15% and 1.50% and .45% to .80%. All certificates of deposit have maturities in 2018.

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