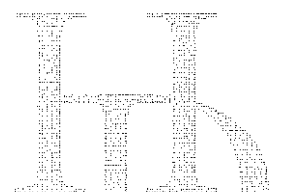
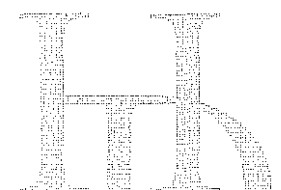


**FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2012**



Foundation for Prader-Willi Research, Inc.
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December 31, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Foundation for Prader-Willi Research, Inc.
Los Angeles, California

We have audited the accompanying financial statements of the Foundation for Prader-Willi Research, Inc. (a nonprofit organization) as of December 31, 2012, 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

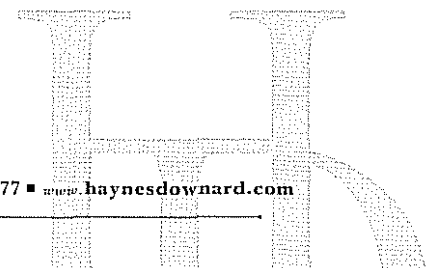
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 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.



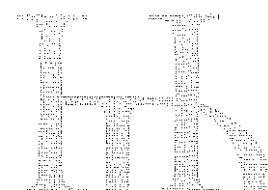
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for Prader-Willi Research, Inc. as of December 31, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Haynes Downard LLP

Haynes Downard LLP

November 15, 2013



STATEMENT OF FINANCIAL POSITION
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2012

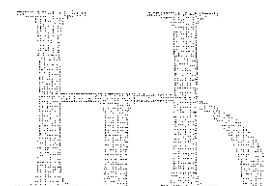
ASSETS

Cash and cash equivalents	\$	1,838,387
Contributions receivable		5,000
Prepaid expenses		1,205
		1,844,592
Total current assets		1,844,592
Registry software		51,120
Less: accumulated depreciation		(1,420)
		49,700
Software, net		49,700
Total Assets	\$	1,894,292

LIABILITIES AND NET ASSETS

Accounts payable	\$	3,901
Grants payable		189,332
Other current liabilities		1,663
		194,896
Total Liabilities		194,896
Net Assets		
Unrestricted		720,310
Temporarily restricted		979,087
		1,699,397
Total net assets		1,699,397
Total Liabilities and Net Assets	\$	1,894,292

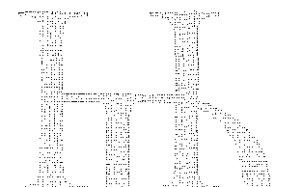
See accompanying notes.



STATEMENT OF ACTIVITIES
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Support, and Other Income			
Special events	425,282	\$ -	\$ 425,282
Less: Costs of direct benefits to donors	(84,176)	-	(84,176)
Special events, net	341,106	-	341,106
Gifts and contributions	52,194	813,773	865,967
Other income	17,650	-	17,650
Interest income	2,951	-	2,951
	413,901	813,773	1,227,674
Net assets released from donor restrictions	371,764	(371,764)	-
Total revenues and support	785,665	442,009	1,227,674
Expenses			
Programs	538,355	-	538,355
General and administrative	77,563	-	77,563
Fundraising	77,657	-	77,657
Total expenses	693,575	-	693,575
Change in Net Assets	92,090	442,009	534,099
Net assets, beginning of year	628,220	537,078	1,165,298
Net assets, end of year	<u>\$ 720,310</u>	<u>\$ 979,087</u>	<u>\$ 1,699,397</u>

See accompanying notes.



STATEMENT OF FUNCTIONAL EXPENSES
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
DIRECT EXPENSES				
Research	\$ 465,264	\$ -	\$ -	\$ 465,264
Professional fees	18,000	39,818	45,575	103,393
Conference expenses	38,671	-	-	38,671
Website	15,000	9,026	-	24,026
Bank fees	-	18,365	-	18,365
Personnel costs	-	-	16,393	16,393
Travel	-	4,457	6,595	11,052
Postage and printing	-	1,056	9,094	10,150
Insurance	-	2,898	-	2,898
Depreciation	1,420	-	-	1,420
Dues and subscriptions	-	798	-	798
Supplies	-	482	-	482
Other expenses	-	299	-	299
Telephone	-	248	-	248
Advertising and Promotion	-	116	-	116
	<u>\$ 538,355</u>	<u>\$ 77,563</u>	<u>\$ 77,657</u>	<u>\$ 693,575</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2012

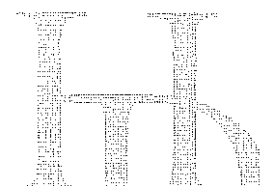
CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 534,099
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:	
Depreciation	1,420
Changes in assets and liabilities that provided (used) cash:	
Contributions receivable	310,400
Prepaid expenses	(34)
Accounts payable	(24,759)
Grants payable	(162,362)
Other current liabilities	<u>1,663</u>
Net cash provided by operating activities	660,427

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of software	<u>(51,120)</u>
Net cash used in investing activities	(51,120)
Net Increase in Cash	609,307
Cash, beginning of year	<u>1,229,080</u>
Cash, end of year	<u><u>\$ 1,838,387</u></u>

See accompanying notes.



NOTES TO FINANCIAL STATEMENTS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2012

NOTE 1. ORGANIZATION

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. The Foundation makes grants to projects conducting research related to Prader-Willi syndrome.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Grants and contributions are recognized as revenue when promised. Other revenues are recognized when earned. Expenses are recognized when incurred.

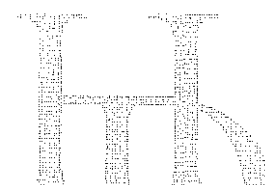
The Foundation reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent resources that are not subject to donor imposed stipulations.
- Temporarily restricted net assets represent resources available for use, but expendable only for the purposes specifically stated by the donor.
- Permanently restricted net assets must be maintained in perpetuity. There are no permanently restricted net assets.

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 statements of activities and changes in net assets 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

For financial statement purposes, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash.



NOTES TO FINANCIAL STATEMENTS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Software

Software is stated at cost. Depreciation and amortization are computed using the straight-line method based upon the estimated useful life.

Revenue Recognition

The Foundation recognizes contributions and pledges as revenues and support in the period in which they are promised.

Functional Allocation of Expenses

The cost of providing the research program and other activities has been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with the research program 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.

Income Taxes

The Foundation is a not-for-profit organization and is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

Grants Payable

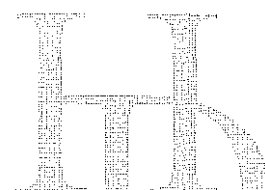
The Foundation recognizes grant expense in the period in which the commitment is made. Grants payable consists of amounts not paid at year end under these commitments. All grants payable are expected to be paid within one year.

Estimates

The preparation 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Uncertain Tax Positions

As of December 31, 2012, the Foundation has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.



NOTES TO FINANCIAL STATEMENTS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

The Foundation evaluated subsequent events through November 15, 2013, which is the date the financial statements were available to be issued.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents. The Foundation maintains its cash in bank deposit accounts. Accounts at each institution are insured by the Federal Deposit Insurance Company up to \$250,000. The Foundation's uninsured cash balances as of December 31, 2012 were approximately \$1,574,306.

NOTE 4. CONTRIBUTED MATERIALS AND 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.

Contributed materials and supplies are recorded in the accompanying financial statements at their fair value as of the date of receipt.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$979,087 as of December 31, 2012, are to be used to provide research grants and resource development as detailed in the Prader-Will Syndrome Research Plan.

