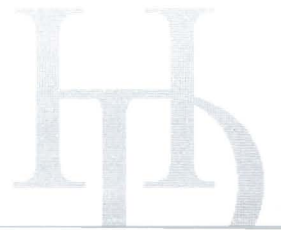
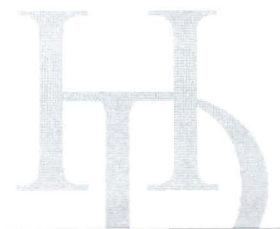


**FOUNDATION FOR  
PRADER-WILLI RESEARCH, INC.  
(A NONPROFIT ORGANIZATION)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013**



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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, 2013, 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.

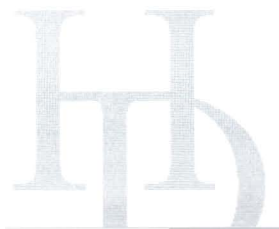
## Opinion

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, 2013, 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

May 22, 2014



**STATEMENT OF FINANCIAL POSITION  
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.  
DECEMBER 31, 2013**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	2,223,507
Contributions receivable		77,666
Prepaid expenses		3,102
		3,102
Total current assets		2,304,275

**Property and Equipment**

Registry software		51,120
Less: accumulated depreciation		(18,460)
		(18,460)
Property and equipment, net		32,660

**Total Assets**

\$ 2,336,935

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	2,208
Grants payable		648,348
		648,348
Total current liabilities		650,556

**Net Assets**

Unrestricted		1,394,868
Temporarily restricted		291,511
		291,511
Total net assets		1,686,379

**Total Liabilities and Net Assets**

\$ 2,336,935

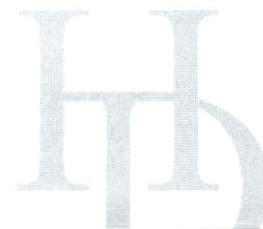
See accompanying notes.



**STATEMENT OF ACTIVITIES**  
**FOUNDATION FOR PRADER-WILLI RESEARCH, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Support, and Other Income</b>			
Special events	\$ 279,915	\$ -	\$ 279,915
Less: Costs of direct benefits to donors	(123,615)	-	(123,615)
Special events, net	156,300	-	156,300
Gifts and contributions	1,244,294	-	1,244,294
Interest income	3,771	-	3,771
	1,404,365	-	1,404,365
Net assets released from donor restrictions	687,576	(687,576)	-
Total revenues and support	2,091,941	(687,576)	1,404,365
<b>Expenses</b>			
Programs	1,197,629	-	1,197,629
General and administrative	112,827	-	112,827
Fundraising	106,927	-	106,927
Total expenses	1,417,383	-	1,417,383
<b>Change in Net Assets</b>	674,558	(687,576)	(13,018)
Net assets, beginning of year	720,310	979,087	1,699,397
Net assets, end of year	<u>\$ 1,394,868</u>	<u>\$ 291,511</u>	<u>\$ 1,686,379</u>

See accompanying notes.



**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOUNDATION FOR PRADER-WILLI RESEARCH, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>DIRECT EXPENSES</b>				
Research	\$ 1,062,386	\$ -	\$ -	\$ 1,062,386
Personnel costs	69,747	22,117	20,488	112,352
Professional fees	16,500	37,924	56,537	110,961
Conference expenses	34,307	-	-	34,307
Postage and printing	-	2,531	25,737	28,268
Bank fees	-	24,286	-	24,286
Depreciation	10,736	3,152	3,152	17,040
Taxes and licenses	-	11,198	-	11,198
Website	3,953	2,376	-	6,329
Travel	-	2,580	907	3,487
Insurance	-	3,223	-	3,223
Other expenses	-	1,699	-	1,699
Dues and subscriptions	-	883	-	883
Advertising and promotion	-	858	-	858
Supplies	-	-	106	106
	<u>\$ 1,197,629</u>	<u>\$ 112,827</u>	<u>\$ 106,927</u>	<u>\$ 1,417,383</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**FOUNDATION FOR PRADER-WILLI RESEARCH, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in net assets	\$ (13,018)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	17,040
Changes in assets and liabilities that provided (used) cash:	
Contributions receivable	(72,666)
Prepaid expenses	(1,897)
Accounts payable	(3,355)
Grants payable	459,016
	385,120
Net cash provided by operating activities	385,120
<b>Net Increase in Cash</b>	385,120
Cash, beginning of year	1,838,387
Cash, end of year	\$ 2,223,507

See accompanying notes.





**NOTES TO FINANCIAL STATEMENTS**  
**FOUNDATION FOR PRADER-WILLI RESEARCH, INC.**  
**DECEMBER 31, 2013**

**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.

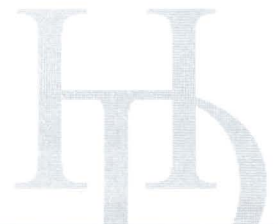
The Foundation reports information regarding its financial position and activities according to three classes of net assets:

- 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, 2013**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Property and Equipment**

Property and equipment 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, 2013, 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, 2013**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Subsequent Events**

The Foundation evaluated subsequent events through May 22, 2014, 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, 2013 were approximately \$1,960,996.

**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 fair value as of the date of receipt.

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets in the amount of \$291,511 as of December 31, 2013, are to be used to provide research grants and resource development as detailed in the Prader-Will Syndrome Research Plan. Net assets in the amount of \$687,576 were released from restrictions during the year ended December 31, 2013.

