FOUNDATION FOR PRADER-WILLI RESEARCH, INC. (A NONPROFIT ORGANIZATION) FINANCIAL STATEMENTS DECEMBER 31, 2015
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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 Foundation for Prader-Willi Research, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses 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 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 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 auditor’s judgment, including 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, 2015, 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.

Haynes Downard LLP
Haynes Downard LLP
Birmingham, Alabama

August 3, 2016
## ASSETS

**Current Assets**
- Cash and cash equivalents: $1,925,394
- Certificates of deposit: 3,000,000
- Contributions receivable: 75,000
- Prepaid expenses: 50,837

Total current assets: $5,051,231

Total Assets: $5,051,231

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## LIABILITIES AND NET ASSETS

**Current Liabilities**
- Accounts payable: $103,938
- Grants payable: 1,875,348

Total current liabilities: 1,979,286

**Net Assets**
- Unrestricted: 3,071,945

Total net assets: 3,071,945

Total Liabilities and Net Assets: $5,051,231

See accompanying notes.
## Statement of Activities
### Foundation for Prader-Willi Research, Inc.
**For the Year Ended December 31, 2015**

### Revenues, Support, and Other Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special events</td>
<td>$338,561</td>
</tr>
<tr>
<td>Less: Costs of direct benefits to donors</td>
<td>(106,800)</td>
</tr>
<tr>
<td>Special events, net</td>
<td>231,761</td>
</tr>
<tr>
<td>Gifts and contributions</td>
<td>2,740,580</td>
</tr>
<tr>
<td>Other income</td>
<td>10,369</td>
</tr>
<tr>
<td>Interest income</td>
<td>7,128</td>
</tr>
<tr>
<td><strong>Total revenues and support</strong></td>
<td><strong>2,989,838</strong></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs</td>
<td>2,463,767</td>
</tr>
<tr>
<td>General and administrative</td>
<td>236,363</td>
</tr>
<tr>
<td>Fundraising</td>
<td>159,781</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>2,859,911</strong></td>
</tr>
</tbody>
</table>

### Change in Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets, beginning of year</td>
<td>2,942,018</td>
</tr>
<tr>
<td>Unrestricted net assets, end of year</td>
<td>$3,071,945</td>
</tr>
</tbody>
</table>

See accompanying notes.
STATEMENT OF FUNCTIONAL EXPENSES  
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.  
FOR THE YEAR ENDED DECEMBER 31, 2015

<table>
<thead>
<tr>
<th>DIRECT EXPENSES</th>
<th>Programs</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>$1,996,349</td>
<td>$</td>
<td>$</td>
<td>$1,996,349</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>235,806</td>
<td>74,770</td>
<td>98,034</td>
<td>408,610</td>
</tr>
<tr>
<td>Professional fees</td>
<td>62,492</td>
<td>44,609</td>
<td>22,733</td>
<td>129,834</td>
</tr>
<tr>
<td>Travel</td>
<td>60,058</td>
<td>9,218</td>
<td>4,648</td>
<td>73,924</td>
</tr>
<tr>
<td>Catering</td>
<td>57,932</td>
<td>4,668</td>
<td>1,183</td>
<td>63,783</td>
</tr>
<tr>
<td>Website</td>
<td>2,453</td>
<td>40,284</td>
<td>4,127</td>
<td>46,864</td>
</tr>
<tr>
<td>Bank fees</td>
<td>-</td>
<td>30,223</td>
<td>-</td>
<td>30,223</td>
</tr>
<tr>
<td>Postage and printing</td>
<td>7,664</td>
<td>2,773</td>
<td>13,549</td>
<td>23,986</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,928</td>
<td>16,531</td>
<td>799</td>
<td>19,258</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>5,266</td>
<td>2,498</td>
<td>8,407</td>
<td>16,171</td>
</tr>
<tr>
<td>Program expenses</td>
<td>15,857</td>
<td>-</td>
<td>-</td>
<td>15,857</td>
</tr>
<tr>
<td>Payroll service fee</td>
<td>8,056</td>
<td>1,391</td>
<td>3,338</td>
<td>12,785</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,240</td>
<td>1,996</td>
<td>1,293</td>
<td>7,529</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>5,053</td>
<td>(120)</td>
<td>525</td>
<td>5,458</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>613</td>
<td>3,478</td>
<td>1,145</td>
<td>5,236</td>
</tr>
<tr>
<td>Telephone</td>
<td>-</td>
<td>4,044</td>
<td>-</td>
<td>4,044</td>
</tr>
</tbody>
</table>

Total: $2,463,767 $236,363 $159,781 $2,859,911

See accompanying notes.
STATEMENT OF CASH FLOWS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities

Change in net assets $ 129,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:
  Loss on retirement of registry software 15,620
Changes in assets and liabilities that provided (used) cash:
  Contributions receivable (11,892)
  Prepaid expenses (47,996)
  Accounts payable 45,637
  Grants payable 1,051,233

Net cash provided by operating activities 1,182,529

Cash Flows from Investing Activities

Purchase of certificates of deposit (3,000,000)

Net cash used in investing activities (3,000,000)

Net Decrease in Cash (1,817,471)

Cash, beginning of year 3,742,865
Cash, end of year $ 1,925,394

See accompanying notes.
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. There are no temporarily restricted net assets.

- 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.

Fair Value Measurements

The carrying amount of the Organization's cash and cash equivalents and certificates of deposits approximate fair values due to the current nature of those assets.
NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for income taxes.

In accordance with FASB ASC 740, Income Taxes, management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that qualify for recognition of disclosure in the financial statements. The tax years subject to examination are 2012 - 2015, for U.S. federal and state jurisdictions.

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.
NOTES TO FINANCIAL STATEMENTS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Subsequent Events

The Foundation evaluated subsequent events through August 3, 2016, 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, 2015 were $1,668,953.

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. CERTIFICATES OF DEPOSIT

Certificates of deposit are held at various banks throughout the United States. Interest rates range from .35% to .65%. All certificates of deposit have maturities in 2016.