

**Foundation for Prader-Willi Research, Inc.**

Financial Statements

December 31, 2020

## 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, 2020, 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 the Foundation as of December 31, 2020, 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 December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

October 6, 2021

**Foundation for Prader-Willi Research, Inc.**

Statement of Financial Position  
December 31, 2020  
(with comparative amounts at December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,403,265	\$ 2,137,030
Contributions receivable, net of allowance for doubtful accounts of \$8,500 and \$10,000	298,149	183,738
Prepaid expenses	131,011	64,235
Property and equipment, net	3,870	6,193
Mission related investments	265,000	150,000
Investments	<u>3,184,633</u>	<u>3,171,213</u>
	<u>\$ 6,285,928</u>	<u>\$ 5,712,409</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 50,920	\$ 89,961
Grants payable	1,690,517	2,018,768
Paycheck Protection Program Loan payable	159,300	-
Deferred revenue	<u>6,375</u>	<u>-</u>
Total Liabilities	<u>1,907,112</u>	<u>2,108,729</u>
Net Assets		
Without donor restrictions	3,964,396	3,205,976
With donor restrictions	<u>414,420</u>	<u>397,704</u>
Total Net Assets	<u>4,378,816</u>	<u>3,603,680</u>
	<u>\$ 6,285,928</u>	<u>\$ 5,712,409</u>

See notes to financial statements

**Foundation for Prader-Willi Research, Inc.**

Statement of Activities  
Year Ended December 31, 2020  
(with summarized totals for year ended December 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Gifts and contributions	\$ 2,889,212	\$ 322,880	\$ 3,212,092	\$ 3,619,442
Special events revenue, net of costs of direct benefit to donors of \$37,582 and \$123,397	267,161	-	267,161	164,693
Conference revenue	149,555	-	149,555	223,944
Other income	15,000	-	15,000	-
Investment return	13,172	-	13,172	80,221
Net assets released from restrictions	306,164	(306,164)	-	-
Total Revenue and Support	3,640,264	16,716	3,656,980	4,088,300
<b>EXPENSES</b>				
Programs	2,274,050	-	2,274,050	3,750,071
General and administrative	351,131	-	351,131	432,477
Fundraising	256,663	-	256,663	311,458
Total Expenses	2,881,844	-	2,881,844	4,494,006
Change in Net Assets	758,420	16,716	775,136	(405,706)
<b>NET ASSETS</b>				
Beginning of year	3,205,976	397,704	3,603,680	4,009,386
End of year	\$ 3,964,396	\$ 414,420	\$ 4,378,816	\$ 3,603,680

See notes to financial statements

**Foundation for Prader-Willi Research, Inc.**

Statement of Functional Expenses

Year Ended December 31, 2020

(with summarized totals for the year ended December 31, 2019)

	2020				2019 Total	
	Programs	General and Administrative	Fundraising	Cost of Direct Benefit to Donors		Total
Research grants, net of refunds and rescinded grants of \$215,009 and \$473	\$ 1,400,916	\$ -	\$ -	\$ -	\$ 1,400,916	\$ 2,534,954
Personnel costs	718,413	107,543	209,112	-	1,035,068	1,197,536
Professional fees	52,236	134,375	17,152	-	203,763	279,021
Travel	918	4,631	543	-	6,092	80,704
Catering	-	1,579	-	600	2,179	123,877
Website	188	25,805	-	-	25,993	22,144
Bank fees	38	23,928	4,217	-	28,183	27,623
Insurance	-	12,826	-	-	12,826	12,553
Postage and printing	2,743	1,155	10,063	-	13,961	32,067
Supplies	-	4,360	81	18,220	22,661	58,356
Dues and subscriptions	17,326	24,199	-	-	41,525	66,828
Taxes and licenses	-	25	500	-	525	887
Telephone	-	3,398	-	-	3,398	4,453
Location rental	20,086	1,300	-	14,212	35,598	49,217
Other expenses	61,186	3,471	12,482	-	77,139	113,357
Marketing and promotion	-	213	2,513	-	2,726	2,652
Entertainment	-	-	-	4,550	4,550	10,400
Depreciation	-	2,323	-	-	2,323	774
	<u>2,274,050</u>	<u>351,131</u>	<u>256,663</u>	<u>37,582</u>	<u>2,919,426</u>	<u>4,617,403</u>
Less direct benefit to donors	-	-	-	(37,582)	(37,582)	(123,397)
Total Expenses Reported by Function on Statement of Activities	<u>\$ 2,274,050</u>	<u>\$ 351,131</u>	<u>\$ 256,663</u>	<u>\$ -</u>	<u>\$ 2,881,844</u>	<u>\$ 4,494,006</u>

See notes to financial statements

**Foundation for Prader-Willi Research, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2020  
(with comparative amounts for year ended December 31, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 775,136	\$ (405,706)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,323	774
Unrealized gain on investments	(1,616)	(25,975)
Changes in operating assets and liabilities		
Contributions receivable	(114,411)	(110,573)
Prepaid expenses	(66,776)	(39,258)
Accounts payable and accrued expenses	(39,041)	(154,639)
Grants payable	(328,251)	790,776
Deferred revenue	6,375	-
Net Cash from Operating Activities	233,739	55,399
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(6,967)
Purchases of investments	(11,804)	(1,545,819)
Net proceeds from sales of investments	-	1,500,000
Accrued interest on mission related investment	(15,000)	-
Purchase of mission related investment	(100,000)	(150,000)
Net Cash from Investing Activities	(126,804)	(202,786)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	159,300	-
Net Change in Cash and Cash Equivalents	266,235	(147,387)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,137,030	2,284,417
End of year	\$ 2,403,265	\$ 2,137,030

See notes to financial statements

## Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements  
December 31, 2020

### 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, 2020

### **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, 2020

### **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, 2019 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, 2019, 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 US, and is overseen by the board. The Foundation believes no significant concentration of credit risk exist 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.

## Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements  
December 31, 2020

### 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 2017.

#### ***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 October 6, 2021.

### 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 6,967	\$ 6,967
Less: accumulated depreciation	<u>3,097</u>	<u>774</u>
	<u>\$ 3,870</u>	<u>\$ 6,193</u>

### 4. Mission Related Investments

Mission related investments are made with the objective of achieving a social impact with market returns. At December 31, 2020, mission related investments include two investments of \$165,000 and \$100,000 including accrued interest of \$15,000 and \$-0- with an interest rate of 10% and -0-%. At December 31, 2019, the mission related investment included one investment of \$150,000, with an interest rate of 10%. There are convertible features to the promissory note as determined in the agreements.

### 5. Investments

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

	<u>2020</u>	<u>2019</u>
Level 1 investments		
Mutual fund-equities	\$ 1,054	\$ 6,520
Investment cash, at cost	<u>3,183,579</u>	<u>3,164,693</u>
Total investments	<u>\$ 3,184,633</u>	<u>\$ 3,171,213</u>

## Foundation for Prader-Willi Research, Inc.

Notes to Financial Statements  
December 31, 2020

### 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,403,265	\$ 2,137,030
Contributions receivable, net	298,149	183,738
Mission related investment	265,000	150,000
Investments	<u>3,184,633</u>	<u>3,171,213</u>
Financial Assets at Year-End	<u>6,151,047</u>	<u>5,641,981</u>
Less amounts unavailable for general expenditures due to:		
Mission related investments (illiquid)	(265,000)	(150,000)
Donor-imposed restrictions	<u>(414,420)</u>	<u>(397,704)</u>
	<u>(679,420)</u>	<u>(547,704)</u>
Financial Assets at Year-End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 5,471,627</u>	<u>\$ 5,094,277</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 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.

Subsequent to year-end, the Foundation applied for and received a second draw on the PPP in the amount of \$128,408. The loan was forgiven on August 23, 2021.

**Foundation for Prader-Willi Research, Inc.**

Notes to Financial Statements  
December 31, 2020

**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.

\* \* \* \* \*