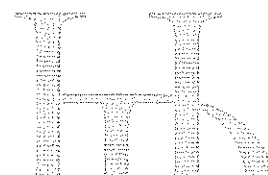


**FOUNDATION FOR
PRADER-WILLI RESEARCH, INC.
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2011**



Foundation for Prader-Willi Research, Inc.
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December 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

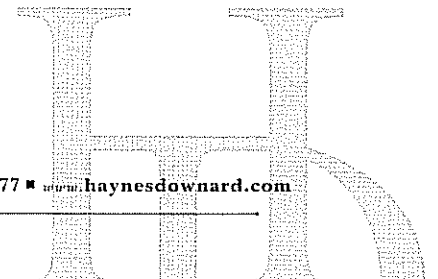
We have audited the accompanying statement of financial position of the Foundation for Prader-Willi Research, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation for Prader-Willi Research, Inc.'s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, 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

September 25, 2012



STATEMENT OF FINANCIAL POSITION
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	\$ 1,229,080
Contributions receivable	315,400
Prepaid expenses	<u>1,173</u>
Total Assets	<u><u>\$ 1,545,653</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 28,661
Grants payable	<u>351,694</u>
Total Liabilities	380,355
Net Assets	
Unrestricted	628,220
Temporarily restricted	<u>537,078</u>
Total net assets	<u>1,165,298</u>
Total Liabilities and Net Assets	<u><u>\$ 1,545,653</u></u>

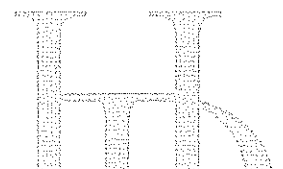
See accompanying notes.



STATEMENT OF ACTIVITIES
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2011

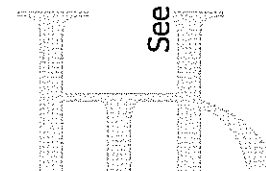
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Support, and Other Income			
Special events	\$ 143,604	\$ -	\$ 143,604
Less: Costs of direct benefits to donors	(55,531)	-	(55,531)
Special events, net	<u>88,073</u>	<u>-</u>	<u>88,073</u>
Gifts and contributions	793,478	537,078	1,330,556
Other income	950	-	950
Interest income	<u>3,197</u>	<u>-</u>	<u>3,197</u>
Total revenues and support	885,698	537,078	1,422,776
Expenses			
Programs	523,572	-	523,572
General and administrative	89,367	-	89,367
Fundraising	<u>80,732</u>	<u>-</u>	<u>80,732</u>
Total expenses	<u>693,671</u>	<u>-</u>	<u>693,671</u>
Change in Net Assets	192,027	537,078	729,105
Net assets, beginning of year	<u>436,193</u>	<u>-</u>	<u>436,193</u>
Net assets, end of year	<u>\$ 628,220</u>	<u>\$ 537,078</u>	<u>\$ 1,165,298</u>

See accompanying notes.



**STATEMENT OF FUNCTIONAL EXPENSES
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Programs	General and Administrative	Fundraising	Total
DIRECT EXPENSES				
Research	\$ 489,381	-	-	\$ 489,381
Professional fees	20,096	59,015	50,704	129,815
Conference expenses	14,095	-	-	14,095
Website	-	976	16,886	17,862
Licenses and fees	-	9,839	-	9,839
Bank fees	-	12,909	-	12,909
Insurance	-	2,450	-	2,450
Postage and printing	-	1,143	6,353	7,496
Dues and subscriptions	-	1,795	-	1,795
Other expenses	-	1,240	4,222	5,462
Supplies	-	-	2,567	2,567
	<u>\$ 523,572</u>	<u>\$ 89,367</u>	<u>\$ 80,732</u>	<u>\$ 693,671</u>



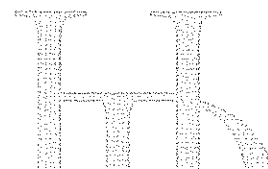
See accompanying notes.

STATEMENT OF CASH FLOWS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 729,105
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:	
Changes in assets and liabilities that provided (used) cash:	
Contributions receivable	(286,865)
Prepaid expenses	(441)
Accounts payable	21,057
Grants payable	<u>167,902</u>
Net cash provided by operating activities	<u>630,758</u>
Net Increase in Cash	630,758
Cash, beginning of year	<u>598,322</u>
Cash, end of year	<u><u>\$ 1,229,080</u></u>

See accompanying notes.



NOTES TO FINANCIAL STATEMENTS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2011

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.

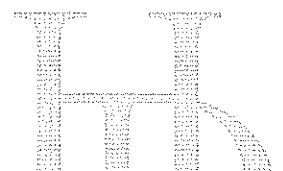
The Foundation reports information regarding its financial position and activities according to three classes of net assets:

- 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, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

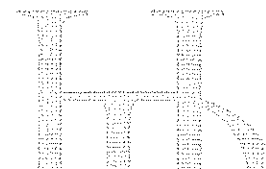
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the 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, 2011, the Foundation has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

The Foundation evaluated subsequent events through September 25, 2012, which is the date the financial statements were available to be issued.



NOTES TO FINANCIAL STATEMENTS
FOUNDATION FOR PRADER-WILLI RESEARCH, INC.
DECEMBER 31, 2011

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, 2011 were approximately \$1,080,000.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable total \$315,400 as of December 31, 2011. All contributions receivable are expected to be fully collected within one year. Approximately 85% of this amount is due from one contributor.

NOTE 5. 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 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$537,078 as of December 31, 2011, are to be used to provide research grants and resource development as detailed in the Prader-Willi Syndrome Research Plan.

