

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**

Financial Statements
December 31, 2016

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prader-Willi Syndrome Association (USA)

I have audited the accompanying financial statements of Prader-Willi Syndrome Association (USA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prader-Willi Syndrome Association (USA) as of December 31, 2016, 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.


CERTIFIED PUBLIC ACCOUNTANT

June 21, 2017

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 1,001,865
Investments	1,275,696
Membership dues receivable	780
Unconditional promises to give	23,449
Inventory	10,275
Prepaid expenses	9,735

TOTAL CURRENT ASSETS 2,321,800

FURNITURE AND EQUIPMENT

Office furniture	18,179
Computer equipment	36,877
Telephone system	12,112
Leasehold improvements	11,706
	78,874
Less accumulated depreciation	75,765

TOTAL FURNITURE AND EQUIPMENT 3,109

OTHER ASSETS

Security deposits	5,549
Investments held at The Community Foundation of Sarasota County	104,534

TOTAL OTHER ASSETS 110,083

TOTAL ASSETS \$ 2,434,992

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,036
Accrued liabilities	52,223
Due to related parties	(448)

TOTAL CURRENT LIABILITIES 71,811

NET ASSETS

Unrestricted	
Undesignated	854,952
Designated by Board of Directors	10,000
Total unrestricted	864,952
Temporarily restricted	1,338,295
Permanently restricted	159,934

TOTAL NET ASSETS 2,363,181

TOTAL LIABILITIES AND NET ASSETS \$ 2,434,992

The accompanying notes are an integral part of these financial statements.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Support				
Contributions	\$ 945,065	\$ 594,069	\$ 26,050	\$ 1,565,184
Fundraising contributions	386,356	--	--	386,356
Conference income	1,692	30,000	--	31,692
Donated services	710,406	--	--	710,406
Revenues				
Educational material sales	18,496	--	--	18,496
Membership dues	55,875	--	--	55,875
Investment income/(loss)	77,795	--	--	77,795
Net assets released from restrictions				
Satisfaction of program restrictions	356,071	(356,071)	--	--
TOTAL SUPPORT AND REVENUES	2,551,756	267,998	26,050	2,845,804
EXPENSES				
Program services				
Crisis intervention and support	355,715	--	--	355,715
Education	36,139	--	--	36,139
Medical intervention and support	385,958	--	--	385,958
New diagnosis support	79,206	--	--	79,206
Chapter, affiliate and local support	52,265	--	--	52,265
National conference	106,211	--	--	106,211
Advocacy, awareness, external collaborative relationships	188,720	--	--	188,720
Research	557,129	--	--	557,129
Total program services	1,761,343	--	--	1,761,343
Supporting services				
Administration	332,035	--	--	332,035
Fund development	128,821	--	--	128,821
Total supporting services	460,856	--	--	460,856
TOTAL EXPENSES	2,222,199	--	--	2,222,199
CHANGE IN NET ASSETS	329,557	267,998	26,050	623,605
NET ASSETS AT BEGINNING OF YEAR	535,395	1,070,297	133,884	1,739,576
NET ASSETS AT END OF YEAR	\$ 864,952	\$ 1,338,295	\$ 159,934	\$ 2,363,181

The accompanying notes are an integral part of these financial statements.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2016

	PROGRAM SERVICES										SUPPORTING SERVICES		
	Crisis Intervention and Support	Medical Intervention and Support	New Diagnosis Support	Chapter, Affiliate and Local Support	National Conference	Advocacy, Awareness, External Collaborative Relationships	Research	Total Program Services	Administration	Fund Development	Total Supporting Services	Total Expenses	
Salaries	\$ 151,195	\$ 20,225	\$ 50,167	\$ 30,567	\$ 56,534	\$ 78,898	\$ 35,017	\$ 475,310	\$ 123,930	\$ 51,778	\$ 175,708	\$ 651,018	
Payroll taxes	12,102	1,619	4,015	2,447	4,524	6,311	2,803	38,042	9,919	4,144	14,063	52,103	
Employee benefits	16,111	2,156	5,346	3,258	6,025	8,404	3,731	50,651	13,207	5,517	18,724	69,375	
Awareness and education	-	-	-	-	-	30,743	-	30,743	-	-	-	30,743	
International activities	-	-	-	-	-	5,000	-	5,000	-	-	-	5,000	
Crisis assistance	45,603	-	-	-	-	-	-	45,603	-	-	-	45,603	
Newsletter	-	-	-	-	-	24,349	-	24,349	-	-	-	24,349	
Family support	28,057	-	-	-	-	-	-	28,057	-	-	-	28,057	
Direct fundraising costs	-	-	-	-	-	-	-	-	-	36,039	36,039	36,039	
Direct conference costs	-	-	-	-	5,854	-	-	5,854	-	-	-	5,854	
Research grants	-	-	-	-	-	-	238,802	238,802	-	-	-	238,802	
Chapter activities	-	-	-	6,116	-	-	-	6,116	-	-	-	6,116	
Office operating expenses	6,934	890	2,355	1,102	1,863	3,929	1,237	20,522	4,582	3,514	8,096	28,618	
Office supplies	4,958	637	1,577	792	1,312	2,810	883	14,673	3,275	2,513	5,788	20,461	
Equipment rental	2,077	267	661	332	558	1,177	371	6,148	1,372	1,053	2,425	8,573	
Postage and shipping	2,975	382	947	475	799	1,686	530	8,805	1,965	1,508	3,473	12,278	
Database	2,849	366	907	456	766	1,613	507	8,431	1,881	1,443	3,324	11,755	
Website	722	92	230	116	194	409	129	2,137	476	366	842	2,979	
Insurance	3,390	435	1,079	542	912	1,921	604	10,035	2,240	1,718	3,958	13,993	
Rent	15,997	2,054	5,090	2,555	4,298	9,066	2,852	47,345	10,571	8,107	18,678	66,023	
Utilities	4,492	576	1,429	717	1,207	2,546	801	13,294	2,967	2,277	5,244	18,538	
Professional fees	2,993	385	953	478	805	1,696	534	8,860	61,978	1,517	63,495	72,355	
State registrations and taxes	1,529	195	485	242	411	867	272	4,520	1,010	774	1,784	6,304	
Travel and board expenses	4,165	534	1,325	665	1,119	2,359	743	12,324	2,751	2,110	4,861	17,185	
Bank charges	3,953	508	1,258	631	1,062	2,240	705	11,700	2,613	2,004	4,617	16,317	
Dues and subscriptions	750	66	238	119	201	424	134	2,216	495	380	875	3,091	
Logo items	4,064	522	1,293	649	1,091	2,302	724	12,025	2,685	2,059	4,744	16,769	
Depreciation	-	-	-	-	-	-	-	-	3,493	-	3,493	3,493	
Donated services	40,799	4,200	-	-	16,656	-	265,750	629,781	80,625	-	80,625	710,406	
Total expenses	\$ 355,715	\$ 36,139	\$ 79,206	\$ 52,265	\$ 106,211	\$ 188,720	\$ 557,129	\$ 1,761,343	\$ 332,035	\$ 128,821	\$ 460,856	\$ 2,222,199	

The accompanying notes are an integral part of these financial statements.

PRADER-WILLI SYNDROME
ASSOCIATION (USA)
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 623,605
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,493
Realized and unrealized losses on investments	(55,852)
(Increase) decrease in operating assets:	
Membership dues receivable	4,692
Unconditional promises to give	(874)
Inventory	12,074
Prepaid expenses	7,065
Increase (decrease) in operating liabilities:	
Accounts payable	(155,731)
Accrued liabilities	(2,398)
Due to related parties	(10,533)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>425,541</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	(162,901)
Change in investments held at The Community Foundation of Sarasota County	(32,288)
NET CASH USED BY INVESTING ACTIVITIES	<u>(195,189)</u>
NET INCREASE IN CASH	230,352
CASH - BEGINNING OF YEAR	<u>771,513</u>
CASH - END OF YEAR	<u><u>\$ 1,001,865</u></u>

The accompanying notes are an integral part of these financial statements.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Prader-Willi Syndrome Association (USA) ("PWSA (USA)" or "The Association") is a not-for-profit organization which has as its mission statement: PWSA (USA) is an organization of families and professionals working together to raise awareness, offer support, provide education and advocacy, and promote and fund research to enhance the quality of life of those affected by Prader-Willi syndrome.

The Association has further defined its business activities into the Focus Areas outlined below:

Family Support

Crisis Intervention and Support – The Association maintains a crisis counseling system that provides support and assistance for families experiencing urgent problems and preventive needs and experiencing difficulties obtaining services.

Education – Strive to be a world leader in the development of materials and instruction in the knowledge of PWS and make such information accessible to families, educators, medical and law enforcement personnel, residential providers, and the community at large, on a timely basis.

Medical Intervention and Support – Provide a response system to provide families and the medical community with accurate and timely assistance in dealing with the various medical issues confronting people with PWS. Such system will be the leading international source for materials and assistance on medical issues.

New Diagnoses Support – Provide mentoring to parents of newly diagnosed persons with PWS.

Chapter, Affiliate and Local Support

Develop, strengthen and nurture state chapters and affiliates to (i) ensure that families have personal support from their local community, (ii) increase the diagnosis rates and (iii) *increase the funding for The Association.*

National Conference

Provide forums on a biennial basis for PWS families and/or professionals to collaborate through the exchange of information and education and provide support to families.

Advocacy – Awareness – External Collaborative Relationships

Advocacy – Increase the general knowledge of PWS and The Association.

Awareness – Provide support for ideas and causes relevant to PWS.

External Collaborative Relationships – Work to expand the relationships between PWSA (USA) and organizations throughout the world.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Research

Increase research into the various aspects of PWS, throughout the world, particularly those areas identified by PWSA (USA) as priorities. Actively solicit funding for such projects, collaboration. Maintain an active scientific advisory board with world leaders from the various medical disciplines that impact PWS.

Fund Development

Develop and maintain programs to ensure long-term sustainable financial support for PWSA (USA) and its activities and short-term funding for specific projects. Such support will be developed through various programs of charitable giving and community programs.

Administration

Provide effective management of the PWSA (USA) by developing a well-balanced, team oriented, well trained workforce that is diverse, agile, committed to the organization's mission, and continuously expanding their capabilities to shape the organization's future and build effective, efficient, strategically aligned business process that integrate and capitalize on the organization's human capital and technology resources to provide accurate and timely information for the optimum management of PWSA (USA).

Basis of Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

PWSA (USA) has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

Contributions

PWSA (USA) has also adopted FASB ASC 958-605, *Not-for-Profit Entities -- Revenue Recognition*. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services and Materials

Contributions of donated professional and volunteer services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated materials, when received, are reflected in the accompanying statements at their estimated fair market values at date of receipt.

Fair Value Measurements

The Association follows generally accepted accounting principles with regards to fair value measurements and disclosures, which establishes a hierarchy framework for measuring fair value of instruments. The hierarchy is described below and listed in order of priority:

- Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement dates.
- Level 2 – inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, investments, receivables, accounts payable and other short-term assets and liabilities. For these financial instruments (Level 1), carrying values approximate fair value because of the short maturity of these investments, except investments – See Note 2.

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. Accordingly, no provision has been made for income taxes in the accompanying statements. FASB ASC 740, *Accounting for Income Taxes*, prescribes a recognition threshold and measurement attribute of the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As of December 31, 2016, management has determined that all past and current tax positions were likely to be realized and sustainable upon examination and that the calculation of a tax liability was not necessary.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments as of December 31, 2016 are carried at the quoted market value of the securities. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventory

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of educational materials and promotional items.

Furniture and Equipment

Furniture and equipment is carried at cost, except for donated assets, which are recorded at the fair market value at the time of the gift. Equipment acquisitions in excess of \$500 are capitalized. Depreciation is provided for and is computed using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives of the office furniture and computer equipment is five years, the telephone system is seven years, and leasehold improvements is seven years. Maintenance and repair costs are expensed as incurred. Depreciation expense for the year ended December 31, 2016 was \$3,493.

Compensated Absences

Employees of the Association are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. The Association has accrued \$23,533 for earned time off, but not taken, by its employees as of December 31, 2016.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The costs of providing PWSA's various programs and supporting services have been detailed in the statement of functional expenses and summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Allocation of Joint Costs

Joint costs have been incurred in the production of the *Gathered View* bimonthly newsletter. The newsletter is primarily educational in nature, but it does contain a small fundraising appeal. Accordingly, the costs of producing the newsletter have been allocated to the various program and fundraising expense categories, as reported in the Statement of Functional Expenses.

NOTE 2 - INVESTMENTS

Investments cost, fair value, and unrealized appreciation (depreciation) at December 31, 2016, consisted of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money market funds	\$ 14,150	\$ 14,150	\$ —
Certificates of deposit	212,150	213,591	1,441
Corporate bonds	330,541	323,902	(6,639)
Municipal bonds	145,670	142,000	(3,670)
Mutual funds	465,727	582,053	116,326
Total investments	<u>\$1,168,238</u>	<u>\$1,275,696</u>	<u>\$ 107,458</u>

The following schedule summarizes the investment income and its classifications in the statement of activities for the year ended December 31, 2016:

	Unrestricted
Interest and dividends	\$ 21,943
Net realized and unrealized gains on investments	55,852
Total investment income	<u>\$ 77,795</u>

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2016, consists of contributions in the amount of \$23,449, and is receivable within one year.

PRADER-WILLI SYNDROME
ASSOCIATION (USA)
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Research	\$ 1,078,243
Crisis and family support	107,798
Legal counsel and education	61,483
Kentucky group home	60,771
Conference	<u>30,000</u>
Total temporarily restricted net assets	<u>\$ 1,338,295</u>

Net assets were released from donor restrictions by satisfying the program restrictions specified by donors during 2016 as follows:

Research	\$ 266,802
Crisis and family support	28,057
Legal counsel and education	<u>61,212</u>
Total restrictions released	<u>\$ 356,071</u>

NOTE 5 - DESIGNATED UNRESTRICTED NET ASSETS

The Board of Directors has designated \$10,000 of unrestricted net assets for the purpose of additional funding of the endowment.

NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for providing assistance to families dealing with Prader-Willi Syndrome.

NOTE 7 - LEASE COMMITMENTS

PWSA (USA) has entered into various non-cancellable operating lease agreements for the rental of office facilities and office equipment that expire at various dates through August 2021. Rental expenses for those leases amounted to \$74,596 for the year ended December 31, 2016.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2016, were:

Year ending December 31,	
2017	\$ 65,749
2018	5,556
2019	5,556
2020	5,305
2021	<u>1,696</u>
	<u>\$ 83,862</u>

**PRADER-WILLI SYNDROME
ASSOCIATION (USA)**
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Association maintains cash demand deposits with a financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at the financial institution exceeded Federally insured limits. The amount in excess of the FDIC insurance limit totaled \$717,662 as of December 31, 2016.

NOTE 9 - DONATED SERVICES

The value of donated services included as contributions in the financial statements and the corresponding donated services expense for the year ended December 31, 2016, are as follows:

Crisis intervention and support	\$ 40,799
Education	4,200
Medical intervention and support	302,376
National conference	16,656
Research	265,750
Administration	<u>80,625</u>
Total in-kind contributions	<u>\$ 710,406</u>

These donated services are recognized since they require specialized skills that would otherwise be purchased by the Association. There is a significant amount of donated services that were not recognized in these financial statements because they could not be estimated. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association, but these services do not meet the criteria for recognition as donated services.

NOTE 10 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through June 21, 2017, the date which the financial statements were available to be issued, and is unaware of any subsequent events requiring disclosure.