

**Prader-Willi Syndrome  
Association (USA) Incorporated**

**Financial Statements**

**December 31, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### ***Report on Financial Statements***

We have audited the accompanying financial statements of Prader-Willi Syndrome Association (USA) Incorporated ("the Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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 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 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 Prader-Willi Syndrome Association (USA) Incorporated as of December 31, 2017, 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**

Other auditors have previously audited Prader-Willi Syndrome Association (USA) Incorporated's December 31, 2016 financial statements, and they expressed an unmodified opinion on those financial statements in our report dated June 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida  
December 20, 2018

*Chenavich & Co. LLP*



# Prader-Willi Syndrome Association (USA) Incorporated

## Statement of Financial Position

December 31, 2017

(with comparative totals for 2016)

### ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 429,899	1,001,865
Investments	1,468,903	1,275,696
Membership dues receivable	-	780
Unconditional promises to give	11,504	23,449
Inventory	10,000	10,275
Due from related parties	2,581	448
Prepaid expenses	-	9,735
Total current assets	1,922,887	2,322,248
Property and equipment, net	2,794	3,109
Other assets:		
Security deposits	4,750	5,549
Donated auction items	12,000	-
Interest in Community Foundation	131,757	104,534
Total other assets	148,507	110,083
Total assets	\$ 2,074,188	2,435,440

### LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 231,039	20,036
Accrued liabilities	74,975	52,223
Total liabilities	306,014	72,259
Net assets:		
Unrestricted		
Undesignated	578,053	854,952
Designated by board of directors	10,000	10,000
Total unrestricted	588,053	864,952
Temporarily restricted	1,009,022	1,338,295
Permanently restricted	171,099	159,934
Total net assets	1,768,174	2,363,181
Total liabilities and net assets	\$ 2,074,188	2,435,440

See accompanying notes to financial statements.



# Prader-Willi Syndrome Association (USA) Incorporated

## Statement of Activities and Changes in Net Assets Year Ended December 31, 2017 (with comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Revenues, gains and support:</b>					
Support:					
Contributions	\$ 376,405	298,309	11,165	685,879	1,565,184
Fundraising contributions	301,408	-	-	301,408	386,356
Conference income	333,863	-	-	333,863	31,692
Donated services	859,743	-	-	859,743	710,406
Revenues:					
Educational material sales	8,314	-	-	8,314	18,496
Membership dues	30,330	-	-	30,330	55,875
Investment income (loss), net	119,959	-	-	119,959	77,795
Net assets released from restrictions	627,582	(627,582)	-	-	-
Total revenues, gains and support	2,657,604	(329,273)	11,165	2,339,496	2,845,804
<b>Expenses:</b>					
Program services:					
Crisis intervention and support	701,724	-	-	701,724	355,715
Education	119,143	-	-	119,143	36,139
Medical intervention and support	115,555	-	-	115,555	385,958
New diagnosis support	318,736	-	-	318,736	79,206
Chapter, affiliate and local support	112,419	-	-	112,419	52,265
National conference	482,623	-	-	482,623	106,211
Advocacy, awareness, external relationships	322,562	-	-	322,562	188,720
Research	268,812	-	-	268,812	557,129
Total program services	2,441,573	-	-	2,441,573	1,761,343
Supporting services:					
Administration	322,351	-	-	322,351	332,035
Fund development	170,579	-	-	170,579	128,821
Total supporting services	492,930	-	-	492,930	460,856
Total expenses	2,934,503	-	-	2,934,503	2,222,199
Change in net assets	(276,899)	(329,273)	11,165	(595,007)	623,605
Net assets - beginning of year	864,952	1,338,295	159,934	2,363,181	1,739,576
Net assets - end of year	\$ 588,053	1,009,022	171,099	1,768,174	2,363,181

See accompanying notes to financial statements.



# Prader-Willi Syndrome Association (USA) Incorporated

## Statement of Functional Expenses

Year Ended December 31, 2017

(with comparative totals for 2016)

2017 Program Services

	Crisis Intervention and Support	Education	Medical Intervention and Support	New Diagnosis Support	Chapter, Affiliate, and Local Support	National Conference	Advocacy, Awareness Ext Relation	Research	Total Program Services
Salaries	\$ 200,995	34,070	32,881	91,437	31,902	43,235	92,697	30,922	558,139
Payroll taxes	16,131	2,734	2,639	7,339	2,560	3,470	7,440	2,482	44,795
Employee benefits	22,452	3,806	3,673	10,214	3,564	4,830	10,355	3,454	62,348
Awareness and education	5,936	1,006	971	2,701	942	1,277	2,738	913	16,484
International activities	4,281	726	700	1,947	679	921	1,974	659	11,887
Crisis assistance	17,591	2,982	2,878	8,002	2,792	3,784	8,113	2,706	48,847
Newsletter	6,954	1,179	1,138	3,163	1,104	1,496	3,207	1,070	19,310
Family support	9,770	1,656	1,598	4,445	1,551	2,101	4,506	1,503	27,130
Direct conference costs	-	-	-	-	-	332,309	-	-	332,309
Direct fundraising costs	14,161	2,400	2,317	6,442	2,248	3,046	6,531	2,179	39,324
Research grants	76,716	13,227	13,333	34,390	13,227	15,872	34,284	172,671	373,720
Chapter activities	1,333	197	194	621	201	285	642	190	3,663
Office operating expenses	8,580	1,454	1,404	3,903	1,362	1,846	3,957	1,320	23,825
Office supplies	5,334	904	873	2,427	847	1,148	2,460	821	14,814
Equipment rental	2,777	471	454	1,263	441	597	1,281	427	7,712
Postage and shipping	1,697	288	278	772	269	365	782	261	4,711
Database	8,508	1,442	1,392	3,870	1,350	1,830	3,924	1,309	23,625
Website	210	36	34	95	33	45	97	32	582
Insurance	3,755	637	614	1,708	596	808	1,732	578	10,428
Rent	19,904	3,374	3,256	9,055	3,159	4,282	9,180	3,062	55,272
Utilities	4,043	685	661	1,839	642	870	1,865	622	11,227
Professional fees	2,298	390	376	1,046	365	494	1,060	354	6,384
State registration and taxes	1,975	335	323	899	314	425	911	304	5,486
Travel and board expenses	4,383	743	717	1,994	696	943	2,021	674	12,170
Bank charges	134	23	22	62	22	29	63	21	376
Dues and subscriptions	2,862	485	468	1,302	454	616	1,320	440	7,947
Logo items	11,392	1,931	1,864	5,183	1,808	2,450	5,254	1,753	31,635
Depreciation	547	93	89	249	87	117	252	84	1,518
Donated services	247,004	41,869	40,408	112,368	39,204	53,132	113,916	38,001	685,902
Total	701,724	119,143	115,555	318,736	112,419	482,623	322,562	268,812	2,441,573

See accompanying notes to financial statements.



# Prader-Willi Syndrome Association (USA) Incorporated

## Statement of Functional Expenses

Year Ended December 31, 2017

(with comparative totals for 2016)

	Total			
	Administration	Fund Development	Supporting Services	Total Expenses
	2017	2016	2017	2016
Salaries	\$ 92,557	48,902	141,459	699,598
Payroll taxes	7,428	3,925	11,353	56,148
Employee benefits	10,339	5,462	15,801	78,149
Awareness and education	2,734	1,444	4,178	20,662
International activities	1,971	1,042	3,013	14,900
Crisis assistance	8,100	4,280	12,380	61,227
Newsletter	3,202	1,692	4,894	24,204
Family support	4,499	2,377	6,876	34,006
Direct conference costs	-	-	-	332,309
Direct fundraising costs	6,521	3,445	9,966	49,290
Research grants	34,390	18,518	52,908	426,628
Chapter activities	761	320	1,081	4,744
Office operating expenses	3,951	2,088	6,039	29,864
Office supplies	2,457	1,298	3,755	18,569
Equipment rental	1,279	676	1,955	9,667
Postage and shipping	781	413	1,194	5,905
Database	3,918	2,070	5,988	29,613
Website	97	51	148	730
Insurance	1,729	914	2,643	13,071
Rent	9,166	4,842	14,008	69,280
Utilities	1,862	984	2,846	14,073
Professional fees	1,058	559	1,617	8,001
State registration and taxes	910	481	1,391	6,877
Travel and board expenses	2,018	1,066	3,084	15,254
Bank charges	62	33	95	471
Dues and subscriptions	1,318	696	2,014	9,961
Logo items	5,246	2,772	8,018	39,653
Depreciation	252	133	385	1,903
Donated services	113,745	60,096	173,841	859,743
Total	\$ 322,351	170,579	492,930	2,934,503
				2,222,199

See accompanying notes to financial statements.



**Prader-Willi Syndrome Association (USA) Incorporated**

**Consolidated Statement of Cash Flows**  
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (595,007)	623,605
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,493	3,493
Donated auction item	(12,000)	-
Realized and unrealized losses on investments	(119,959)	(55,852)
(Increase) decrease in:		
Membership dues receivable	780	4,692
Unconditional promises to give	11,945	(874)
Inventory	275	12,074
Prepaid expenses	9,735	7,065
Deposits	799	-
Increase (decrease) in:		
Accounts payable	211,003	(155,731)
Accrued liabilities	22,752	(2,398)
Due to related parties	(2,133)	(10,533)
	<u>(468,317)</u>	<u>425,541</u>
Net cash flows from operating activities		
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(3,178)	-
Purchase of investments	(73,248)	(162,901)
Investment in community foundation	(27,223)	(32,288)
	<u>(103,649)</u>	<u>(195,189)</u>
Net (decrease) increase in cash and cash equivalents	(571,966)	230,352
Beginning cash and cash equivalents	<u>1,001,865</u>	<u>771,513</u>
Ending cash and cash equivalents	<u>\$ 429,899</u>	<u>1,001,865</u>

See accompanying notes to financial statements.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 1 – Organization and Summary of Significant Accounting Policies:**

**Nature of Organization**

Prader-Willi Syndrome Association (USA) Incorporated ("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) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 1 – Organization and 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.

**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).

**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.

**Basis of Accounting**

The Association's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the *Accounting Standards Codification* for Not-for-Profit Entities. Accordingly, 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. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Association is subject to donor-imposed restrictions that can be fulfilled by actions of the Association pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets restricted by donor to be maintained permanently by the Association.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 1 – Organization and Summary of Significant Accounting Policies – continued:**

Cash and Cash Equivalents

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

Promises to Give

Unconditional promises to give are recognized in the period received and as assets, decreases of liabilities, or expense depending on the form of 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.

Property and Equipment

It is the Association's policy to capitalize property and equipment with a cost over \$500. Property and equipment is capitalized at cost, except for donated assets, which are recorded at their fair market value at the time of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated on the straight-line method over their estimated useful lives of three to five years.

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.

Deferred Revenue

Revenues received in advance of providing required services or conferences are deferred until the service or conference has been provided.

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 \$23,534 for earned time off, but not taken, by its employees as of December 31, 2017.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

**Contributions**

Contributions are recorded as revenue when received or promised unconditionally. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 consolidated statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions have been substantially met.

**Contributed Services**

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 donations, 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 value at date of receipt.

**Investments**

Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

**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.

**Income Taxes**

The Association is generally exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. There was no income tax liability for the year ended December 31, 2017.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2017. The Association's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been 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 various program and fundraising expense categories, as reported in the Statement of Functional Expenses.

Comparative Financial Information

The financial information shown for 2016 in the accompanying financial statements is included to provide a basis for comparison with 2017 and presents summarized totals only.

**Note 2 – Investments:**

Investments cost, fair value, and accumulated unrealized gain (loss) at December 31, 2017, consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Cash and money market funds	\$ 367,485	391,159	23,674
Fixed income securities	367,685	361,287	(6,398)
Mutual funds	517,758	716,457	198,699
Total investments	<u>\$ 1,252,928</u>	<u>1,468,903</u>	<u>215,975</u>

Investment income for the year ended December 31, 2017 is comprised of the following:

Interest and dividends	\$ 28,383
Realized and unrealized gains	91,850
Fees	<u>(274)</u>
Net return	<u>\$ 119,959</u>

**Note 3 – Promises to give:**

Unconditional promises to give at December 31, 2017, consists of contributions in the amount of \$11,504, and is receivable within one year.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 4 – Property and Equipment:**

Property and equipment consists of the following:

Office furniture	\$ 18,179
Computer equipment	38,466
Telephone system	12,112
Leasehold improvements	11,706
Total property and equipment	<u>80,463</u>
Less: accumulated depreciation	77,669
Total	<u>\$ 2,794</u>

**Note 5 – Temporarily Restricted Net Assets:**

At December 31, 2017, the Association's temporarily restricted net assets are available for the following:

Research	\$ 817,228
Crisis and family support	128,174
Legal counsel and education	33,440
Conference	30,180
Total temporarily restricted net assets	<u>\$ 1,009,022</u>

Net assets were released from donor restrictions by satisfying the program restrictions specified by donors during 2017 as follows:

Research	\$ 430,112
Crisis and family support	49,216
Legal counsel and education	87,663
Kentucky group home	60,771
Conference	(180)
Total restrictions released	<u>\$ 627,582</u>

**Note 6 – 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 7 – Permanently Restricted Net Assets:**

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



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 8 – Concentrations:**

Financial instruments that potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and contributions receivable. The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Association places its cash and cash equivalents with local financial institutions. Although the Association manages its credit risk through diversification, at times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk on cash and cash equivalents.

**Note 9 – Lease Commitments:**

PWSA (USA) entered into various non-cancellable operating lease agreements for the rental of office facilities and office equipment that expire at various dates through November 2022. Rental expenses for those leases amounted to \$69,280 for the year ended December 31, 2017.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2017 were:

Year ending December 31,

2018	\$ 45,025
2019	44,950
2020	44,409
2021	44,824
2022	40,623

**Note 10 – Donated Services:**

The value of donated services included as contributions in the financial statement and the corresponding donated services expense for the year ended December 31, 2017, are as follows:

Research	\$593,250
Family Support	183,022
National Conference	62,621
Administrative	20,850
Total donated services	<u>\$ 859,743</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.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
December 31, 2017

**Note 11 – Fair Value of Financial Assets and Liabilities:**

The Association adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Association's assets that are measured at fair value on a recurring basis as of December 31, 2017, and indicate that fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Association's assumptions based on the best information available in the circumstance.

Assets at fair value on a recurring basis at December 31, 2017:

Description	December 31, 2017	Assets and Liabilities at Fair Value on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income securities	\$ 361,287	-	361,287	-
Mutual funds	716,458	716,458	-	-
Interest in Community Foundation	131,757	-	-	131,757
Total assets at fair value	\$ <u>1,209,502</u>	<u>716,458</u>	<u>361,287</u>	<u>131,757</u>

Funds held at community foundation represent a pro rata share of a managed pool of investments.



**Prader-Willi Syndrome Association (USA) Incorporated**  
**Notes to Consolidated Financial Statements**  
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**Note 11 – Fair Value of Financial Assets and Liabilities – Continued:**

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring and non-recurring basis using significant unobservable inputs (Level 3) during the period ended December 31, 2017:

	Interest in Community Foundation
Balance - December 31, 2016	\$ 104,534
Contributions	11,165
Interest and dividends	2,423
Realized and unrealized gains	13,910
Fees	(275)
Balance - December 31, 2017	\$ <u>131,757</u>

**Note 12 – Subsequent Events:**

Subsequent events have been evaluated through December 20, 2018, which is the date the financial statements were available to be issued.