

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

Financial Statements

December 31, 2018

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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, 2018, 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, 2018, 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 Prader-Willi Syndrome Association (USA) Incorporated's December 31, 2017 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated December 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Covarrubias & Co. LLP". The signature is written in a cursive, flowing style.

Sarasota, Florida
October 24, 2019

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Financial Position

December 31, 2018

(with comparative totals for 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 274,113	429,899
Investments	1,328,072	1,468,903
Unconditional promises to give	50,394	11,504
Inventory	10,000	10,000
Due from related parties	<u>-</u>	<u>2,581</u>
Total current assets	<u>1,662,579</u>	<u>1,922,887</u>
Property and equipment, net	<u>4,463</u>	<u>2,794</u>
Other assets:		
Security deposits	4,750	4,750
Donated auction items	12,000	12,000
Interest in Community Foundation	<u>146,088</u>	<u>131,757</u>
Total other assets	<u>162,838</u>	<u>148,507</u>
Total assets	<u>\$ 1,829,880</u>	<u>2,074,188</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 58,386	231,039
Accrued liabilities	60,304	74,975
Deferred income	51,000	-
Due to related parties	<u>896</u>	<u>-</u>
Total liabilities	<u>170,586</u>	<u>306,014</u>
Net assets:		
Net assets without donor restrictions	262,693	588,053
Net assets with donor restrictions	<u>1,396,601</u>	<u>1,180,121</u>
Total net assets	<u>1,659,294</u>	<u>1,768,174</u>
Total liabilities and net assets	<u>\$ 1,829,880</u>	<u>2,074,188</u>

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018

(with comparative totals for 2017)

	2018			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	2017
Revenues, gains and support:				
Support:				
Contributions	\$ 613,622	388,264	1,001,886	685,879
Fundraising contributions	198,197	-	198,197	301,408
Conference income	-	-	-	333,863
Donated services	763,400	-	763,400	859,743
Revenues:				
Educational material sales	23,512	-	23,512	8,314
Membership dues	29,425	-	29,425	30,330
Investment income (loss), net	(62,447)	-	(62,447)	119,959
Net assets released from restrictions	171,784	(171,784)	-	-
	<u>1,737,493</u>	<u>216,480</u>	<u>1,953,973</u>	<u>2,339,496</u>
Expenses:				
Program services:				
Crisis intervention and support	598,575	-	598,575	701,724
Education	101,464	-	101,464	119,143
Medical intervention and support	97,922	-	97,922	115,555
New diagnosis support	272,307	-	272,307	318,736
Chapter, affiliate and local support	95,005	-	95,005	112,419
National conference	108,160	-	108,160	482,623
Advocacy, awareness, external relationships	276,058	-	276,058	322,562
Research	92,088	-	92,088	268,812
Total program services	1,641,579	-	1,641,579	2,441,573
Supporting services:				
Administration	275,641	-	275,641	322,351
Fund development	145,634	-	145,634	170,579
Total supporting services	421,275	-	421,275	492,930
Total expenses	<u>2,062,854</u>	<u>-</u>	<u>2,062,854</u>	<u>2,934,503</u>
Change in net assets	(325,361)	216,480	(108,881)	(595,007)
Net assets - beginning of year	<u>588,054</u>	<u>1,180,121</u>	<u>1,768,175</u>	<u>2,363,181</u>
Net assets - end of year	<u>\$ 262,693</u>	<u>1,396,601</u>	<u>1,659,294</u>	<u>1,768,174</u>

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Functional Expenses
 Year Ended December 31, 2018
 (with comparative totals for 2017)

	2018 Program Services							Total 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
Salaries	\$ 169,227	28,686	27,684	76,986	26,860	36,402	78,046	26,035	469,926
Payroll taxes	14,080	2,387	2,303	6,405	2,235	3,029	6,493	2,166	39,098
Employee benefits	17,486	2,964	2,861	7,955	2,775	3,761	8,084	2,690	48,556
Awareness and education	7,063	1,197	1,156	3,213	1,121	1,519	3,257	1,087	19,613
International activities	1,437	243	235	654	228	309	663	221	3,990
Crisis assistance	8,357	1,416	1,367	3,802	1,326	1,798	3,854	1,286	23,206
Newsletter	7,829	1,327	1,281	3,561	1,243	1,684	3,611	1,204	21,740
Family support	15,947	2,703	2,609	7,255	2,531	3,431	7,355	2,453	44,284
Direct conference costs	-	-	-	-	-	(20,597)	-	-	(20,597)
Direct fundraising costs	15,144	2,567	2,477	6,889	2,404	2,404	6,984	2,330	42,053
Research grants	46,143	7,822	7,549	20,992	7,324	9,926	21,281	7,099	128,136
Chapter activities	5,390	914	882	2,452	855	1,159	2,486	829	14,967
Office operating expenses	11,470	1,944	1,876	5,218	1,820	2,467	5,290	1,765	31,850
Office supplies	5,650	958	924	2,570	897	1,215	2,606	869	15,689
Equipment rental	2,115	358	346	962	336	455	975	325	5,872
Postage and shipping	2,355	399	385	1,071	374	507	1,086	362	6,539
Database	7,614	1,291	1,246	3,464	1,208	1,638	3,512	1,171	21,144
Website	2,062	350	337	938	327	444	951	317	5,726
Insurance	3,422	580	560	1,557	543	736	1,578	527	9,503
Rent	17,621	2,987	2,883	8,016	2,797	3,790	8,127	2,711	48,932
Utilities	3,437	583	562	1,564	546	739	1,585	529	9,545
Professional fees	3,555	603	582	1,617	564	765	1,640	547	9,873
State registration and taxes	2,079	352	340	946	330	447	959	320	5,773
Travel and board expenses	4,917	833	804	2,237	780	1,058	2,268	757	13,654
Bank charges	2,057	349	336	935	327	442	948	316	5,710
Dues and subscriptions	1,619	274	265	737	257	348	747	249	4,496
Logo items	681	115	111	310	108	146	314	105	1,890
Depreciation	494	84	81	225	78	106	227	76	1,371
Donated services	219,324	37,178	35,880	99,776	34,811	47,178	101,151	33,742	609,040
Total	598,575	101,464	97,922	272,307	95,005	108,160	276,058	92,088	1,641,579

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Functional Expenses
 Year Ended December 31, 2018
 (with comparative totals for 2017)

	2018 Supporting Services			Total Expenses	2017
	Administration	Fund Development	Supporting Services		
Salaries	\$ 77,928	41,173	119,101	589,027	699,598
Payroll taxes	6,484	3,426	9,910	49,008	56,148
Employee benefits	8,052	4,254	12,306	60,862	78,149
Awareness and education	3,252	1,718	4,970	24,583	20,662
International activities	662	350	1,012	5,002	14,900
Crisis assistance	3,848	2,033	5,881	29,087	61,227
Newsletter	3,605	1,905	5,510	27,250	24,204
Family support	7,344	3,880	11,224	55,508	34,006
Direct conference costs	-	-	-	(20,597)	332,309
Direct fundraising costs	6,974	3,684	10,658	52,711	49,290
Research grants	21,249	11,227	32,476	160,612	426,628
Chapter activities	2,482	1,311	3,793	18,760	4,744
Office operating expenses	5,282	2,791	8,073	39,923	29,864
Office supplies	2,602	1,375	3,977	19,666	18,569
Equipment rental	974	515	1,489	7,361	9,667
Postage and shipping	1,085	573	1,658	8,197	5,905
Database	3,506	1,852	5,358	26,502	29,613
Website	950	501	1,451	7,177	730
Insurance	1,576	833	2,409	11,912	13,071
Rent	8,115	4,288	12,403	61,335	69,280
Utilities	1,583	836	2,419	11,964	14,073
Professional fees	1,637	865	2,502	12,375	8,001
State registration and taxes	957	506	1,463	7,236	6,877
Travel and board expenses	2,264	1,196	3,460	17,114	15,254
Bank charges	947	500	1,447	7,157	471
Dues and subscriptions	745	394	1,139	5,635	9,961
Logo items	313	166	479	2,369	39,653
Depreciation	227	120	347	1,718	1,903
Donated services	100,998	53,362	154,359	763,399	859,743
Total	\$ 275,641	145,634	421,274	2,062,853	2,934,503

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Cash Flows

Year Ended December 31, 2018 (with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (108,881)	(595,007)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,903	3,493
Donated auction item	-	(12,000)
Realized and unrealized losses (gains) on investments	62,447	(119,959)
Increase in:		
Promises to give - other	-	780
Unconditional promises to give	(38,890)	11,945
Inventory	-	275
Prepaid expenses	-	9,735
Deposits	-	799
Increase (decrease) in:		
Accounts payable	(172,653)	211,003
Accrued liabilities	(14,671)	22,752
Deferred income	51,000	-
Due to related parties	3,477	(2,133)
	<u>3,477</u>	<u>(2,133)</u>
Net cash flows from operating activities	<u>(216,268)</u>	<u>(468,317)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,572)	(3,178)
Proceeds from sale of investments	149,173	-
Purchases of investments	(70,788)	(73,248)
Investment in community foundation	(14,331)	(27,223)
	<u>60,482</u>	<u>(103,649)</u>
Net decrease in cash and cash equivalents	(155,786)	(571,966)
Beginning cash and cash equivalents	<u>429,899</u>	<u>1,001,865</u>
Ending cash and cash equivalents	<u>\$ 274,113</u>	<u>429,899</u>

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

Note 1 – Organization and Summary of Significant Accounting Policies:

Nature of Organization

Prader-Willi Syndrome Association (USA) Incorporated (“the Organization”) 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 Organization has further defined its business activities into the focus areas outlined below:

Family Support

Crisis Intervention and Support - The Organization 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 Organization.

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

Awareness - Increase the general knowledge of PWS and The Organization.

Advocacy - 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 Financial Statements
December 31, 2018

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 Organization'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

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as without donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization 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 Organization'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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions 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 net realizable value 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 Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. The Organization has accrued \$31,022 for earned time off, but not taken, by its employees as of December 31, 2018.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

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

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 Organization 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 Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no income tax liability for the year ended December 31, 2018.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Organization had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2018. The Organization'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.

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.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

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

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 2017 in the accompanying financial statements is included to provide a basis for comparison with 2018 and presents summarized totals only.

Note 2 – Investments:

Investments cost, fair value, and accumulated unrealized gain (loss) at December 31, 2018, consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Cash and money market funds	\$ 166,689	166,689	-
Fixed income securities	513,571	512,376	(1,195)
Mutual funds	587,728	649,007	61,279
Total investments	<u>\$ 1,267,988</u>	<u>1,328,072</u>	<u>60,084</u>

Investment income for the year ended December 31, 2018 is comprised of the following:

Interest and dividends	\$ 26,493
Realized and unrealized gains	(88,769)
Fees	<u>(171)</u>
Net return	<u>\$ (62,447)</u>

Note 3 – Promises to give:

Unconditional promises to give at December 31, 2018, consists of contributions in the amount of \$50,394, and is receivable within one year.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

Note 4 – Property and Equipment:

Property and equipment consists of the following:

Office furniture	\$	18,179
Computer equipment		41,854
Telephone system		12,112
Leasehold improvements		11,706
Total property and equipment		83,851
Less: accumulated depreciation		79,388
Total	\$	4,463

Note 5 – Net Assets with Donor Restrictions:

At December 31, 2018, the Organization's net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:

Research	\$	816,821
Crisis and family support		273,715
Legal counsel and education		61,560
Conference		50,777
		1,202,873

Not subject to spending policy or appropriation:

Endowment and Interest in Community Foundation		193,728
		193,728

Total net assets with restrictions	\$	1,396,601
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors during 2018 as follows:

Satisfaction of purpose restrictions

Research	\$	144,065
Crisis and family support		21,436
Legal counsel and education		26,880
Conference		(20,597)
	\$	171,784

Note 6 – Net Assets Without Donor Restrictions:

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

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

Note 7 – Concentrations:

Financial instruments that potentially subject the Organization to concentrations of credit risk are primarily cash and cash equivalents and contributions receivable. The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Organization places its cash and cash equivalents with local financial institutions. Although the Organization manages its credit risk through diversification, at times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Organization 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 8 – 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 \$61,334 for the year ended December 31, 2018.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2018 were:

Year ending December 31,

2019	\$ 40,645
2020	41,865
2021	43,128
2022	40,618

Note 9 – 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, 2018, are as follows:

Research	\$528,600
Family support	171,100
National conference	47,150
Administrative	<u>16,550</u>
Total donated services	<u>\$ 763,400</u>

These donated services are recognized since they require specialized skills that would otherwise be purchased by the Organization. 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 Organization, but these services do not meet the criteria for recognition as donated services.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

Note 10 – Fair Value of Financial Assets and Liabilities:

The Organization 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 Organization's assets that are measured at fair value on a recurring basis as of December 31, 2018, 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, 2018:

Description	December 31, 2018	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	\$ 512,376	-	512,376	-
Mutual funds	649,007	649,007	-	-
Interest in Community Foundation	146,088	-	-	146,088
Total assets at fair value	<u>\$ 1,307,471</u>	<u>649,007</u>	<u>512,376</u>	<u>146,088</u>

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2018

Note 10 – Fair Value of Financial Assets and Liabilities – Continued:

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

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, 2018:

	<u>Interest in Community Foundation</u>
Balance - December 31, 2017	\$ 131,757
Contributions	22,629
Interest and dividends	3,480
Realized and unrealized gains and losses, net	(11,607)
Fees	<u>(171)</u>
Balance - December 31, 2018	\$ <u>146,088</u>

Note 11 – Functionalized Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Note 12 – Subsequent Events:

Subsequent events have been evaluated through October 24, 2019, which is the date the financial statements were available to be issued.

Report to the Finance Committee

Prader-Willi Syndrome Association (USA) Incorporated

December 31, 2018



October 24, 2019

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

We have audited the financial statements of Prader-Willi Syndrome Association (USA) Incorporated, for the year ended December 31, 2018, and have issued our report thereon dated October 24, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Prader-Willi Syndrome Association (USA) Incorporated, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the depreciation of property and equipment is based on the estimated useful lives of the property and equipment in use. We evaluated the key factors and assumptions used to develop the depreciable life of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of allocations for the functional expenses is based on the estimated usage of each expense. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Four adjusting journal entries were proposed as a result of the audit. Management has made all such adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 24, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Prader-Willi Syndrome Association (USA) Incorporated and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

