

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

Financial Statements

December 31, 2019

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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, 2019, 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, 2019, 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, 2018 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Christopher J. Cooper".

Sarasota, Florida
October 19, 2020

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Financial Position

December 31, 2019

(with comparative totals for 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 665,934	274,113
Investments	1,289,573	1,328,072
Unconditional promises to give	13,635	50,394
Inventory	10,000	10,000
Prepaid expenses	<u>2,356</u>	<u>-</u>
Total current assets	<u>1,981,498</u>	<u>1,662,579</u>
Property and equipment, net	<u>34,636</u>	<u>4,463</u>
Other assets:		
Security deposits	9,750	4,750
Donated auction items	-	12,000
Interest in Community Foundation	<u>174,499</u>	<u>146,088</u>
Total other assets	<u>184,249</u>	<u>162,838</u>
Total assets	<u>\$ 2,200,383</u>	<u>1,829,880</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 468,530	58,386
Accrued liabilities	65,187	60,304
Deferred income	-	51,000
Due to related parties	<u>45,825</u>	<u>896</u>
Total liabilities	<u>579,542</u>	<u>170,586</u>
Net assets:		
Net assets without donor restrictions	587,587	262,693
Net assets with donor restrictions	<u>1,033,254</u>	<u>1,396,601</u>
Total net assets	<u>1,620,841</u>	<u>1,659,294</u>
Total liabilities and net assets	<u>\$ 2,200,383</u>	<u>1,829,880</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, 2019

(with comparative totals for 2018)

	2019			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	2018
Revenues, gains and support:				
Support:				
Contributions	\$ 503,564	200,247	703,811	1,001,886
Fundraising contributions	315,857	-	315,857	198,197
Conference income	-	441,870	441,870	-
Donated services	399,548	-	399,548	763,400
Revenues:				
Educational material sales	22,484	-	22,484	23,512
Membership dues	25,555	-	25,555	29,425
Investment income (loss), net	257,924	-	257,924	(62,447)
Net assets released from restrictions	<u>1,006,506</u>	<u>(1,006,506)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and support	<u>2,531,438</u>	<u>(364,389)</u>	<u>2,167,049</u>	<u>1,953,973</u>
Expenses:				
Program services:				
Crisis intervention and support	138,536	-	138,536	598,575
Education	64,259	-	64,259	101,464
Medical intervention and support	244,178	-	244,178	97,922
New diagnosis support	126,742	-	126,742	272,307
Chapter, affiliate and local support	69,925	-	69,925	95,005
National conference	462,406	-	462,406	108,160
Advocacy, awareness, external relationships	142,745	-	142,745	276,058
Research	<u>332,496</u>	<u>-</u>	<u>332,496</u>	<u>92,088</u>
Total program services	1,581,287	-	1,581,287	1,641,578
Supporting services:				
Administration	329,309	-	329,309	275,641
Fund development	<u>294,906</u>	<u>-</u>	<u>294,906</u>	<u>145,634</u>
Total supporting services	<u>624,215</u>	<u>-</u>	<u>624,215</u>	<u>421,275</u>
Total expenses	<u>2,205,502</u>	<u>-</u>	<u>2,205,502</u>	<u>2,062,853</u>
Change in net assets	325,936	(364,389)	(38,453)	(108,881)
Net assets - beginning of year	<u>262,693</u>	<u>1,396,601</u>	<u>1,659,294</u>	<u>1,768,175</u>
Net assets - end of year	<u>\$ 588,629</u>	<u>1,032,212</u>	<u>1,620,841</u>	<u>1,659,294</u>

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Functional Expenses
Year Ended December 31, 2019
(with comparative totals for 2018)

	2019 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	\$ 57,661	26,744	101,632	52,752	29,104	37,248	59,413	17,113	381,667
Payroll taxes	4,610	2,138	8,125	4,217	2,327	2,978	4,750	1,368	30,513
Employee benefits	5,439	2,523	9,587	4,976	2,745	3,514	5,604	1,614	36,002
Awareness and education	988	458	1,741	903	498	638	1,018	293	6,537
Crisis assistance	1,161	539	2,047	1,062	586	750	1,196	345	7,686
Newsletter	2,426	1,125	4,275	2,219	1,224	1,567	2,499	720	16,055
Family support	4,411	2,046	7,774	4,035	2,226	2,849	4,545	1,309	29,195
Direct conference costs	-	-	-	-	-	372,911	-	-	372,911
Direct fundraising costs	6,226	2,888	10,974	5,696	3,143	4,022	6,415	1,848	41,212
Research grants	-	-	-	-	-	-	-	291,381	291,381
Chapter activities	122	57	213	112	62	79	126	36	807
Office operating expenses	3,320	1,540	5,853	3,038	1,676	2,145	3,421	985	21,978
Office supplies	606	281	1,068	555	306	392	625	180	4,013
Equipment rental	543	252	957	497	274	351	559	161	3,594
Postage and shipping	974	452	1,716	891	491	629	1,003	289	6,445
Website	1,018	472	1,794	931	514	658	1,049	302	6,738
Insurance	1,107	514	1,951	1,013	559	715	1,141	329	7,329
Rent	5,581	2,589	9,837	5,106	2,817	3,605	5,750	1,656	36,941
Utilities	834	387	1,470	763	421	539	859	248	5,521
Professional fees	815	378	1,437	746	411	527	840	242	5,396
State registration and taxes	473	220	834	433	239	306	488	140	3,133
Travel and board expenses	2,747	1,274	4,842	2,513	1,387	1,775	2,831	815	18,184
Bank charges	396	184	699	363	200	256	408	118	2,624
Dues and subscriptions	454	211	801	416	229	294	468	135	3,008
Logo items	573	266	1,010	524	289	370	591	170	3,793
Depreciation	136	63	239	124	69	88	140	40	899
Donated services	35,915	16,658	63,302	32,857	18,128	23,200	37,006	10,659	237,725
Total	\$ 138,536	64,259	244,178	126,742	69,925	462,406	142,745	332,496	1,581,287

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Functional Expenses

Year Ended December 31, 2019

(with comparative totals for 2018)

	2019 Supporting Services				
	Administration	Fund Development	Total Supporting Services	Total Expenses	2018
Salaries	\$ 137,067	122,744	259,811	641,478	589,027
Payroll taxes	10,956	9,812	20,768	51,281	49,008
Employee benefits	12,929	11,578	24,507	60,509	60,862
Awareness and education	2,343	2,106	4,449	10,986	24,583
International activities	-	-	-	-	5,002
Crisis assistance	2,760	2,472	5,232	12,918	29,087
Newsletter	5,767	5,163	10,930	26,985	27,250
Family support	10,484	9,389	19,873	49,068	55,508
Direct conference costs	-	-	-	372,911	(20,597)
Direct fundraising costs	14,800	13,253	28,053	69,265	52,711
Research grants	-	-	-	291,381	160,612
Chapter activities	290	260	550	1,357	18,760
Office operating expenses	7,894	7,068	14,962	36,940	39,923
Office supplies	1,441	1,290	2,731	6,744	19,666
Equipment rental	1,289	1,156	2,445	6,039	7,361
Postage and shipping	2,314	2,072	4,386	10,831	8,197
Database	-	-	-	-	26,502
Website	2,420	2,167	4,587	11,325	7,177
Insurance	2,631	2,357	4,988	12,317	11,912
Rent	13,267	11,880	25,147	62,088	61,335
Utilities	1,983	1,776	3,759	9,280	11,964
Professional fees	1,938	1,735	3,673	9,069	12,375
State registration and taxes	1,125	1,008	2,133	5,266	7,236
Travel and board expenses	6,531	5,849	12,380	30,564	17,114
Bank charges	942	844	1,786	4,410	7,157
Dues and subscriptions	1,080	967	2,047	5,055	5,635
Logo items	1,364	1,220	2,584	6,377	2,369
Depreciation	323	289	612	1,511	1,718
Donated services	85,371	76,451	161,822	399,547	763,399
Total	\$ 329,309	294,906	624,215	2,205,502	2,062,853

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated

Statement of Cash Flows

Year Ended December 31, 2019 (with comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (38,453)	(108,881)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,511	1,903
Donated auction item	12,000	-
Realized and unrealized losses (gains) on investments	(257,924)	62,447
Decrease (increase) in:		
Unconditional promises to give	36,759	(38,890)
Prepaid expenses	(2,356)	-
Deposits	(5,000)	-
Increase (decrease) in:		
Accounts payable	410,144	(172,653)
Accrued liabilities	4,883	(14,671)
Deferred income	(51,000)	51,000
Due to related parties	44,929	3,477
Net cash flows from operating activities	155,493	(216,268)
Cash flows from investing activities:		
Purchase of property and equipment	(31,684)	(3,572)
Proceeds from sale of investments	254,004	149,173
Purchases of investments	(47,986)	(70,788)
Investment in community foundation	(28,411)	(14,331)
	145,923	60,482
Net increase (decrease) in cash and cash equivalents	301,416	(155,786)
Beginning cash and cash equivalents	274,113	429,899
Ending cash and cash equivalents	\$ 575,529	274,113

See accompanying notes to financial statements.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

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, preventive needs and 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

Advocacy - Provide support for ideas and causes relevant to PWS.

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

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, 2019

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 the Organization as priorities. Actively solicit funding for such Projects and collaboration. Maintain an active scientific advisory board with world leaders from the various medical disciplines that impact PWS.

Administration

Provide effective management of the Organization 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 processes that integrate and capitalize on the organization's human capital and technology resources to provide accurate and timely information for the optimum management of the Organization.

Fund Development

Develop and maintain programs to ensure long-term sustainable financial support for the Organization 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.

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, 2019

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, 2019.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

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, 2019.

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, 2019. 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.

Allocation of Joint Costs

Joint costs have been incurrent 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.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

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

Comparative Financial Information

The financial information shown for 2018 in the accompanying financial statements is included to provide a basis for comparison with 2019 and presents summarized totals only.

Note 2 – Investments:

Investments at fair value as of December 31, 2019, consisted of the following:

Cash and money market funds	\$ 74,362
Fixed income securities	408,326
Mutual funds	806,885
Total investments	<u>\$ 1,289,573</u>

Investment income for the year ended December 31, 2019 is comprised of the following:

Interest and dividends	\$ 61,957
Realized and unrealized gains	196,158
Fees	<u>(191)</u>
Net return	<u>\$ 257,924</u>

Note 3 – Promises to give:

Unconditional promises to give at December 31, 2019, consists of contributions in the amount of \$13,635, and is receivable within one year.

Note 4 – Property and Equipment:

Property and equipment consist of the following:

Office furniture	\$ 18,179
Computer equipment	55,069
Telephone system	12,112
Leasehold improvements	11,706
Website design	18,469
Total property and equipment	<u>115,535</u>
Less: accumulated depreciation	<u>80,899</u>
Total	<u>\$ 34,636</u>

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

Note 5 – Net Assets with Donor Restrictions:

At December 31, 2019, the Organization's net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:

Research	\$ 594,229
Crisis and family support	185,830
Legal counsel and education	41,890
Conference	11,080
	<u>833,029</u>

Not subject to spending policy or appropriation:

Endowment and interest in community foundation	199,183
	<u>\$ 1,032,212</u>

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 2019 as follows:

Satisfaction of purpose restrictions:

Research	\$ 285,799
Crisis and family support	182,781
Legal counsel and education	56,359
Conference	481,567
	<u>\$ 1,006,506</u>

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.

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.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

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 \$62,088 for the year ended December 31, 2019.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2019 were:

Year ending December 31,

2020	\$ 41,865
2021	43,128
2022	40,623

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, 2019, are as follows:

Medical	\$ 333,000
Finance	50,000
Counseling	9,347
Other	<u>7,200</u>
	\$ <u>399,547</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.

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, 2019, 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.

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

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

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, 2019:

Description	December 31, 2019	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	\$ 408,325	-	408,325	-
Mutual funds	806,883	806,883	-	-
Interest in Community Foundation	174,499	-	-	174,499
Total assets at fair value	\$ <u>1,389,707</u>	<u>806,883</u>	<u>408,325</u>	<u>174,499</u>

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, 2019:

	Interest in Community Foundation
Balance - December 31, 2018	\$ 146,088
Contributions	5,455
Interest and dividends	4,295
Realized and unrealized gains and losses, net	24,563
Grants	(5,711)
Fees	<u>(191)</u>
Balance - December 31, 2019	\$ <u>174,499</u>

Prader-Willi Syndrome Association (USA) Incorporated
Notes to Financial Statements
December 31, 2019

Note 11 – Liquidity:

Financial assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, as of December 31, 2019 consist of the following:

Cash and cash equivalents	\$ 665,934
Operating investments	1,289,573
Unconditional promises to give	13,635
Investment in community foundation	174,499
Total assets available	<u>2,143,641</u>
Less: Donor-imposed restrictions	<u>(1,033,254)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,110,387</u>

The Organization is typically able to manage liquidity through donations. The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments.

Note 12 – 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 13 – Subsequent Events:

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is expected to be temporary, there is considerable uncertainty around its duration and the impact it will have on the Organization's operations, financial position and cash flows. Any financial impact to the Organization cannot be reasonably estimated at this time.

Subsequent to year end, the Organization applied and was approved for a \$126,000 loan under the Paycheck Protection Program, part of the relief efforts related to COVID-19 administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Other subsequent events have been evaluated through October 19, 2020, 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, 2019



October 19, 2020

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, 2019, and have issued our report thereon dated October 19, 2020. 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 February 28, 2020. 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 2019. 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 19, 2020.

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,

