

FOUNDATION FOR PRADER-WILLI RESEARCH

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Foundation for Prader-Willi Research
Covina, California**

Opinion

We have audited the accompanying financial statements of Foundation for Prader-Willi Research, consisting of the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Prader-Willi Research as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foundation for Prader-Willi Research and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Prader-Willi Research's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Foundation for Prader-Willi Research's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation for Prader-Willi Research's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Foundation for Prader-Willi Research as of December 31, 2022 and for the year then ended were audited by other auditors whose report dated November 10, 2023 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and of the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Katz Cassidy
An Accountancy Corporation
Los Angeles, California
August 23, 2024

FOUNDATION FOR PRADER-WILLI RESEARCH, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
Assets		
Cash and cash equivalents	\$ 1,609,355	\$ 4,777,432
Contributions receivable, net of allowance for doubtful accounts	164,138	39,962
Prepaid expenses	55,784	56,069
Property and equipment, net of accumulated depreciation	3,932	-
Investments	7,336,247	3,221,117
Mission related investments, net of impairment reserve	350,000	250,000
	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,519,456</u>	<u>\$ 8,344,580</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 634,991	\$ 16,028
Accrued liabilities	59,961	42,626
Grants payable	3,532,275	3,175,224
	<u> </u>	<u> </u>
Total Liabilities	4,227,227	3,233,878
Net Assets		
Without donor restrictions	5,292,229	5,110,702
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 9,519,456</u>	<u>\$ 8,344,580</u>

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

FOUNDATION FOR PRADER-WILLI RESEARCH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Support				
Gifts and contributions	\$ 4,482,722	\$ -	\$ 4,482,722	\$ 3,783,045
Special events revenue, net of direct benefit to donors of \$79,866 and \$180,362	1,495,511	-	1,495,511	981,578
Conference revenue	229,189	-	229,189	231,217
Investment income				
Interest and dividends	219,505	-	219,505	68,302
Realized and unrealized gains	50,144	-	50,144	116
Other income			-	19,679
Total Revenues and Support	6,477,071	-	6,477,071	5,083,937
Expenses				
Program	5,161,356	-	5,161,356	4,436,584
Fundraising	789,048	-	789,048	367,780
General and administrative	345,140	-	345,140	245,248
Total Expenses	6,295,544	-	6,295,544	5,049,612
Excess of Revenue and Support Over Expenses	181,527	-	181,527	34,325
Non-Operating Activities				
Investment impairment	-	-	-	(195,000)
Change in Net Assets	181,527	-	181,527	(160,675)
Beginning Net Assets	5,110,702	-	5,110,702	5,271,377
Ending Net Assets	\$ 5,292,229	\$ -	\$ 5,292,229	\$ 5,110,702

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

FOUNDATION FOR PRADER-WILLI RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENES

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023					2022
Program	Fundraising	General and Administrative	Cost of Direct Benefit to Donors	Total	Total	
Research grants	\$ 4,219,364	\$ -	\$ -	\$ -	\$ 4,219,364	\$ 3,576,928
Personnel costs	621,802	456,526	81,025	-	1,159,353	820,363
Bank fees	2,154	49,702	244	-	52,100	40,817
Catering	24,573	9,807	-	79,866	114,246	103,827
Depreciation	29	-	83	-	112	1,548
Dues and subscriptions	35,917	4,667	46,951	-	87,535	51,137
Entertainment	-	-	-	-	-	4,251
Insurance	7,674	-	9,166	-	16,840	17,111
Location rental	109,125	123,621	-	-	232,746	149,162
Marketing and promotion	1,378	589	-	-	1,967	627
Other expenses	19,490	39,254	21,250	-	79,994	94,743
Postage and printing	2,899	7,889	12,011	-	22,799	20,160
Professional fees	42,844	47,527	121,113	-	211,484	209,410
Supplies	12,549	32,199	883	-	45,631	52,891
Telephone	-	-	3,082	-	3,082	2,895
Travel	50,990	14,571	8,112	-	73,673	54,163
Website	10,568	2,696	41,220	-	54,484	29,941
	5,161,356	789,048	345,140	79,866	6,375,410	5,229,974
Less direct benefit to donors				(79,866)	(79,866)	(180,362)
Total expenses	\$ 5,161,356	\$ 789,048	\$ 345,140	\$ -	\$ 6,295,544	\$ 5,049,612

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

FOUNDATION FOR PRADER-WILLI RESEARCH, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 181,527	\$ (160,675)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112	1,548
Realized and unrealized gains on investments	(50,144)	(116)
Donated investments	(14,705)	(75,136)
Accrued interest on mission related investment	-	(15,000)
Impairment of mission related investment	-	195,000
(Increase) decrease in:		
Contributions receivable	(124,176)	419,288
Prepaid expenses	285	74,560
Increase (decrease) in:		
Accounts payable	618,963	(5,488)
Accrued liabilities	17,335	2,533
Grants payable	357,051	1,765,350
Deferred revenue	-	(1,750)
	986,248	2,200,114
Cash Flows from Investing Activities:		
Purchases of property and equipment	(4,044)	-
Proceeds from sales of investments	1,088,943	62,404
Purchases of investments	(5,139,224)	(40,832)
Mission related investments	(100,000)	-
	(4,154,325)	21,572
Net Increase (Decrease) in Cash	(3,168,077)	2,221,686
Cash and Cash Equivalents - Beginning	4,777,432	2,555,746
Cash and Cash Equivalents - Ending	\$ 1,609,355	\$ 4,777,432

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

THE FOUNDATION FOR PRADER-WILLI RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Foundation for Prader-Willi Research (“the Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity.

Organization and Activities

The Foundation for Prader-Willi Research is a nonprofit organization founded in 2003 to eliminate the challenges of Prader-Willi syndrome through the advancement of research and therapeutic developments. The Foundation makes grants to projects conducting research related to Prader-Willi syndrome.

Basis of Financial Statements

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Asset Restrictions

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Expenses are classified as unrestricted. Net assets without donor restrictions are those assets that are not subject to donor-imposed stipulations, including donor-restricted assets whose restrictions are met in the same reporting period, and net assets designated by the Board of Directors for specific purposes.

Net assets with donor restrictions are assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In some cases, donors may stipulate that funds be maintained in perpetuity.

As of December 31, 2023 and 2022, the Organization does not accept restricted donations and has no restricted net assets.

Fair Value Measurement

Under U.S GAAP, the Organization is required to disclose the fair value of certain financial instruments. As of December 31, 2023 and 2022, the carrying amounts of assets and liabilities reported in the accompanying statement of financial position approximate the fair values of the Organization’s financial instruments due to the short term nature of those instruments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all checking, savings, and money market accounts used for operating purposes are included in cash and cash equivalents.

THE FOUNDATION FOR PRADER-WILLI RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with any applicable donor-imposed restrictions. Management provides an allowance for uncollectible contributions receivable based on factors including prior collection history and the type of contribution. No such allowance is considered necessary at December 31, 2023. An allowance of \$8,500 was recorded as of December 31, 2022.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are recorded based on estimated market value at the date of donation. Depreciation has been provided for using the straight-line method over the estimated useful lives of the assets, generally five to seven years for most assets.

Grants Payable

Grant expenses are recognized in the period in which the commitment is made. As of December 31, 2023 and 2022, all grants payable are expected to be paid within one year.

Revenue Recognition

Under current US GAAP, the amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation. The Organization adopted this guidance effective December 1, 2020. The Organization's revenue recognition policies are as follows:

Gifts and contributions: Gifts and contributions, including grants and other unconditional promises to give, are recorded when received or pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the stipulated conditions are substantially met.

Special event and conference revenue: Special event and conference revenue is recognized as the related programs occur. Payments received before events have occurred are recorded as deferred revenue.

Investment income: Interest, dividends, realized gains and unrealized gains are recorded when earned. Purchases and sales of investments are recorded on a trade-date basis.

THE FOUNDATION FOR PRADER-WILLI RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributed goods and services: Contributions other than cash are recorded at their estimated fair value on the date of donation. The contribution of services is recognized if the services received create or enhance non-financial assets, or require specialized skills that would need to be purchased if not provided by donation. The Organization benefits from a large number of volunteers who donate significant amounts of their valuable time to the Organization's programs and fundraising events; however, no amount has been reflected for these types of donated services, as they do not meet the criteria outlined above.

Functional Allocation of Expenses

Functional expenses have been allocated between program services and general, administrative and fundraising activities based on an analysis of direct costs, personnel time and facility space utilized for the related activities.

Income Taxes

The Organization is a nonprofit public benefit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income; however, income from activities unrelated to the Organization's exempt purpose is subject to tax. The Organization did not receive any unrelated business income during the years ended December 31, 2023 and 2022.

Concentrations of Credit Risk

The Organization maintains its cash with various recognized financial institutions insured by Federal Deposit Insurance Corporation and Securities Investor Protection Corporation up to their statutory limits. At times, account balances may exceed insured limits. The Organization has not experienced any losses on these accounts, and management believes the Organization is not exposed to any significant risk related to its cash accounts.

As of December 31, 2023, one donor accounts for approximately 91% of accounts receivable. Two donors accounted for approximately 56% of gifts and contributions for the year ended December 31, 2023. One donor accounted for approximately 40% of gifts and contributions for the year ended December 31, 2022.

Prior Year Summarized Comparative Information and Reclassifications

Information as of and for the year ended December 31, 2022 is presented for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements and of and for the year ended December 31, 2022, from which the summarized comparative information was derived. Certain prior year balances have been reclassified to conform to the current year presentation.

THE FOUNDATION FOR PRADER-WILLI RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following as of December 31, 2023 and 2022:

	2023	2022
Computer equipment	\$ 11,012	\$ 6,967
Accumulated depreciation	(7,080)	(6,967)
	\$ 3,932	\$ -

3. INVESTMENTS:

US GAAP establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring value. The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment.

Level 2: Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately held investments and securities held in partnership or limited liability company format.

The Organization's investments held in brokerage accounts are subject to fair value measurement on a recurring basis and are valued using Level 1 inputs as of December 31, 2023 and 2022. The Organization's mission related investments (Note 4) are valued using Level 3 inputs as of December 31, 2023 and 2022.

THE FOUNDATION FOR PRADER-WILLI RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. MISSION RELATED INVESTMENTS

Mission related investments are made with the goal of furthering the Organization’s objectives and receiving a return on the investment. Mission related investments consist of three and two notes receivable as of December 31, 2023 and 2022, respectively. The notes bear no interest and are convertible to equity as specified in the individual investment agreements.

During the year ended December 31, 2022, management recorded an impairment reserve of \$195,000 for one mission related investment after it was determined to be worthless. This investment has been written off in full as of December 31, 2023.

Following are summaries of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (“Level 3 assets”) for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 250,000	\$ 350,000
Net realized and unrealized gain (loss)	-	(100,000)
Purchases and other acquisitions	100,000	-
Sales and other dispositions	-	-
Ending balance	<u>\$ 350,000</u>	<u>\$ 250,000</u>

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity to meet its annual operating needs and other contractual commitments. The organization’s financial assets available for general expenditures within one year of the statement of financial position date are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,609,355	\$ 4,777,432
Contributions receivable	164,138	39,962
Investments	<u>7,336,247</u>	<u>3,221,117</u>
	<u>\$ 9,109,740</u>	<u>\$ 8,038,511</u>

6. EMPLOYEE BENEFIT PLAN

The Organization has established a salary deferral plan as provided by §401(k) of the Internal Revenue Code. Eligible employees may elect to defer a portion of their compensation, subject to Internal Revenue Code limitations. The Organization is not required to contribute to the plan and made no contributions during the years ended December 31, 2023 and 2022.

THE FOUNDATION FOR PRADER-WILLI RESEARCH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. PRIOR PERIOD RESTATEMENT

The financial statements as of December 31, 2022 reflected ending restricted net assets totaling \$1,661,135. The Organization does not accept restricted donations and had no restricted net assets as of December 31, 2022; accordingly, the balance sheet as of December 31, 2022 has been restated. Total net assets as of December 31, 2022 and revenue, expenses and the change in net assets for the year ended December 31, 2022 have not changed.

8. EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS

The Organization depends largely on grants and donations for its revenue. The ability of the Organization's grantors and donors to continue giving amounts comparable with prior years may be dependent upon current and future economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Organization. While management believes the Organization has the resources to continue its programs, its ability to do so may be dependent on the above factors.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 23, 2024, the date on which the financial statements were available to be issued.