



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

**P.R.I.S.M.S., Inc.
Parents and Researchers
Interested in Smith-Magenis Syndrome
Audited Financial Statements
Year Ended December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
P.R.I.S.M.S., Inc.

We have audited the accompanying financial statements of P.R.I.S.M.S., Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 P.R.I.S.M.S., Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited P.R.I.S.M.S., Inc. December 31, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 23, 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.



June 30, 2020

Sonnenberg & Company, CPAs

P.R.I.S.M.S., Inc.
Statement of Financial Position
December 31, 2019
(With Comparative Financial Information for December 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash	\$ 131,831	\$ 104,502
Contributions and accounts receivable	2,099	855
Inventory	3,580	650
Prepaid expenses	7,785	3,805
Other assets	12,765	11,100
Investments	<u>429,273</u>	<u>383,115</u>
TOTAL ASSETS	<u>\$ 587,333</u>	<u>\$ 504,027</u>
LIABILITIES:		
Accounts payable	\$ 3,088	\$ 2,399
Grants payable	<u>67,500</u>	<u>95,000</u>
TOTAL LIABILITIES	70,588	97,399
NET ASSETS:		
Without donor restrictions	501,074	397,092
With donor restrictions	<u>15,671</u>	<u>9,536</u>
TOTAL NET ASSETS	<u>516,745</u>	<u>406,628</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 587,333</u>	<u>\$ 504,027</u>

The Accompanying Notes Are an Integral Part of these Financial Statements

P.R.I.S.M.S., Inc.
Statement of Activities
For The Year Ended December 31, 2019
(With Summarized Comparative Financial Information for the Year Ended December 31, 2018)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2019</u> <u>Totals</u>	<u>2018</u> <u>Totals</u>
SUPPORT AND REVENUE:				
Contributions	\$ 171,479	\$ 12,508	\$ 183,987	\$ 179,115
Conference registrations			-	68,007
Special events	58,889		58,889	48,660
Less: direct special events expenses	(11,573)		(11,573)	(7,913)
SMS books & promotional items sales (net)	3,064		3,064	2,910
Net investment return	47,822		47,822	(3,103)
Net assets released from restrictions	6,373	(6,373)	-	-
Total support and revenue	<u>276,054</u>	<u>6,135</u>	<u>282,189</u>	<u>287,676</u>
EXPENSES:				
Program services	106,001		106,001	294,778
Management & general	48,656		48,656	46,309
Fund-raising	17,415		17,415	14,279
Total expenses	<u>172,072</u>		<u>172,072</u>	<u>355,366</u>
DECREASE IN NET ASSETS	103,982	6,135	110,117	(67,690)
BEGINNING NET ASSETS	<u>397,092</u>	<u>9,536</u>	<u>406,628</u>	<u>474,318</u>
ENDING NET ASSETS	<u>\$ 501,074</u>	<u>\$ 15,671</u>	<u>\$ 516,745</u>	<u>\$ 406,628</u>

The Accompanying Notes Are an Integral Part of these Financial Statements

P.R.I.S.M.S., Inc.
Statement of Cash Flows
For The Year Ended December 31, 2019
(With Comparative Financial Information for the Year Ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
DECREASE IN NET ASSETS	\$ 110,117	\$ (67,690)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain) loss on investment	(34,733)	17,344
(Increase) decrease in:		
Contributions receivable	(1,244)	51,599
Inventory	(2,930)	1,595
Prepaid expenses	(3,980)	(1,132)
Other assets	(1,665)	(970)
Increase (decrease) in:		
Accounts payable	689	1,586
Grants payable	(27,500)	(37,500)
Net cash provided (used) by operating activities	38,754	(35,168)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvestment of investment income	(11,425)	(13,271)
Net cash used by investing activities	(11,425)	(13,271)
Net increase (decrease) in cash	27,329	(48,439)
Cash at beginning of year	104,502	152,941
Cash at end of year	\$ 131,831	\$ 104,502

The Accompanying Notes Are an Integral Part of these Financial Statements

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2019

Note 1. Organization:

P.R.I.S.M.S., Inc., an acronym for Parents and Researchers Interested in Smith-Magenis Syndrome is a nonprofit organization incorporated in February 1993 in the Commonwealth of Virginia. P.R.I.S.M.S., Inc. is dedicated to providing information and support to families of persons with Smith-Magenis Syndrome (SMS), sponsoring research and fostering partnerships with professionals to increase awareness and understanding of SMS.

SMS is a rare chromosome deletion syndrome estimated to occur in one out of every 15,000 births. While only a small number of individuals have been identified, improved molecular crytogenetic techniques and improved awareness causes the number of persons identified every year to grow.

P.R.I.S.M.S., Inc. serves as a central clearinghouse of information about SMS, providing a range of services: telephone support, database of registered families, newsletters, informational packets for caregivers and medical professionals. P.R.I.S.M.S., Inc. engages individuals with medical and scientific expertise to serve on its Professional Advisory Board. An international conference is planned for every two-three years. P.R.I.S.M.S., Inc. is supported by contributions, program service revenue, and membership dues.

Note 2. Income Tax Status:

P.R.I.S.M.S., Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a 501(c)(3) corporation, P.R.I.S.M.S., Inc. is automatically exempt from Virginia corporate income tax. Accordingly, no provision for income taxes is included in the accompanying financial statements. P.R.I.S.M.S., Inc.'s tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed.

Note 3. Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Essentially, all revenue is recognized when earned and expenses are recognized when incurred. Promises to give are recorded as received.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2019

Note 3. Significant Accounting Policies (Continued):

Net Assets With Donor Restrictions - Net assets subject to donor-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.

Contributions: Contributions are recognized when the donor makes a promise to give to P.R.I.S.M.S., Inc. that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents: For purposes of the statement of cash flows, P.R.I.S.M.S., Inc. considers all highly liquid investments with the initial maturity of three months or less to be cash equivalents. P.R.I.S.M.S., Inc. had no cash equivalents at December 31, 2019.

Contributions receivable: Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the day of the promise. That fair value is computed using a present value technic applied to anticipated cash flows. Amortization of resulting discount is recognized as additional contribution revenue. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is received and, therefore, are reported as contributions with donor restrictions until the payment is received.

Donated Assets and Services: The estimated fair value of donated goods and professional services is recorded in the financial statements. The donated goods are recorded at fair value. Donated services are recognized as contributions, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by P.R.I.S.M.S., Inc. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Inventory: Inventory consists of *On the Road to Success with SMS* books available for resale and promotional items. Inventory is stated at cost.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2019

Note 3. Significant Accounting Policies (Continued):

Fair Value Measurements: P.R.I.S.M.S., Inc. measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

Property and Equipment: Property and equipment is recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$2,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the useful lives of the assets, which are seven years for furniture and five years for equipment.

Compensated Absences: Compensated absences for vacation and personal time off have not been accrued since they cannot be reasonably estimated. P.R.I.S.M.S., Inc.'s policy is to recognize these costs when actually paid.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing various services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of P.R.I.S.M.S., Inc.

Comparative Financial Information: The comparative information from the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles and should be read in conjunction with P.R.I.S.M.S., Inc.'s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2019

Note 3. Significant Accounting Policies (Continued):

Adoption of New Accounting Pronouncement: P.R.I.S.M.S., Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Note 4. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at year end:	
Cash	\$ 131,831
Contributions receivable	2,099
Investments	429,273
Total financial assets	563,203
Funds subject to donor-imposed restrictions	(15,671)
Financial assets available to meet general expenditures within one year	\$ 547,532

P.R.I.S.M.S., Inc. receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. P.R.I.S.M.S., Inc. must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of P.R.I.S.M.S., Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. P.R.I.S.M.S., Inc. invests cash in excess of daily requirements in fixed income and equity securities.

Note 5. Concentrations:

P.R.I.S.M.S., Inc. maintains cash balances at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 the cash balance is fully insured.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2019

Note 5. Concentrations (Continued):

Concentration of credit risk with respect to contributions receivable is limited due to the large number of contributors comprising P.R.I.S.M.S., Inc.'s contributor base and their dispersion across different geographic areas. The balances were collected in full after year end.

Note 6. Investments:

Investments are held in Vanguard LifeStrategy Income Fund. The fund holds 80% of its assets in bonds, a portion of which is allocated to international bonds and 20% in stocks, a portion of which is allocated to international stocks. Investments are carried at fair value based on quoted market prices in active market (all level 1 measurements). The realized and unrealized gains and losses on investments are reflected in the statement of activities. Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. The balance of the Fund as of December 31, 2019 is 429,273.

Note 7. Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2019 are as follows:

	<u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Released</u>	<u>Dec. 31, 2019</u>
Subject to expenditure for specified purpose:				
Research	\$ 5,000	\$ 10,380	\$ (5,000)	\$ 10,380
International Conference scholarships		80		80
SMS Meet-ups	3,681	100	(518)	3,263
Subject to the passage of time:				
Time restrictions-pledges receivable for	855	1,948	(855)	1,948
Total	<u>\$ 9,536</u>	<u>\$ 12,508</u>	<u>\$ (6,373)</u>	<u>\$ 15,671</u>

Note 8. 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. Personnel and related expenses are allocated on the basis of estimates of time and effort.

Note 9. Related Parties:

As of December 31, 2019, grants payable liability includes \$30,000 payable to a research institution to fund a part time genetic counselor position that would directly support the needs of individuals with SMS. The genetic counselor is to report directly to P.R.I.S.M.S. Inc.'s board member employed by the research institution.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2019

Note 10. Subsequent Events:

P.R.I.S.M.S., Inc.'s management has evaluated subsequent events through June 30, 2020, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19, P.R.I.S.M.S., Inc. has cancelled its international conference originally scheduled for July 28 - August 3, 2020 in Dallas, TX. No cancellation fees were charged by Hyatt Regency Dallas Hotel contingent upon P.R.I.S.M.S., Inc. holding both 2021 and 2023 conferences at the Hotel. The contract for hotel room, meeting space, and food and beverage services for the August 3 - August 9, 2021 conference was finalized on May 26, 2020.

In April 2019, P.R.I.S.M.S., Inc. entered into a contract for childcare and youth services during the 2020 international conference. The fee for services based on the minimum number of participants is \$17,336. On June 25, 2020 an addendum was finalized to change the date to August 5 - 7, 2021 with no change in other terms and conditions of the contract.

P.R.I.S.M.S., Inc. received a loan in the amount of \$16,667 under the CARES Act Paycheck Protection Program. P.R.I.S.M.S., Inc. expects to qualify for forgiveness of the loan.

The COVID-19 outbreak may negatively affect P.R.I.S.M.S., Inc.'s donations revenue and program service activities. The extent of the impact on P.R.I.S.M.S., Inc.'s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on P.R.I.S.M.S., Inc.'s members, supporters, and vendors, all of which are uncertain and cannot be predicted. The impact on P.R.I.S.M.S., Inc.'s 2020 financial condition or results of operations is uncertain at this time.