



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, 2020**

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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, 2020, 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 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 P.R.I.S.M.S., Inc. as of December 31, 2020 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 P.R.I.S.M.S., Inc. December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 31, 2021

Sonnenberg & Company, CPAs

P.R.I.S.M.S., Inc.
Statement of Financial Position
December 31, 2020
(With Comparative Financial Information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 328,327	\$ 131,831
Contributions receivable	6,925	2,099
Inventory	4,960	3,580
Prepaid expenses	8,259	7,785
Investments	468,445	429,273
Cash surrender value of donor life insurance policy	<u>13,037</u>	<u>12,765</u>
TOTAL ASSETS	<u>\$ 829,953</u>	<u>\$ 587,333</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,128	\$ 3,088
Grants payable	<u>15,000</u>	<u>67,500</u>
Total Liabilities	21,128	70,588
 Net Assets		
Without donor restrictions	787,547	501,074
With donor restrictions	<u>21,278</u>	<u>15,671</u>
Total net assets	<u>808,825</u>	<u>516,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 829,953</u>	<u>\$ 587,333</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, 2020
(With Summarized Comparative Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
SUPPORT AND REVENUE				
Contributions	\$ 389,707	\$ 32,968	\$ 422,675	\$ 183,987
Payroll Protection Program grant	16,667		16,667	-
Special events	39,835		39,835	58,889
Less: cost of direct benefits to donors	(6,342)		(6,342)	(11,573)
In-kind contributions	1,600		1,600	-
Books & promotional items sales (net)	1,641		1,641	3,064
Net investment return	39,444		39,444	47,822
Net assets released from restrictions	27,361	(27,361)	-	-
Total support and revenue	<u>509,913</u>	<u>5,607</u>	<u>515,520</u>	<u>282,189</u>
EXPENSES				
Program services	142,419		142,419	106,001
Management & general	62,927		62,927	48,656
Fund-raising	18,094		18,094	17,415
Total expenses	<u>223,440</u>		<u>223,440</u>	<u>172,072</u>
CHANGE IN NET ASSETS	286,473	5,607	292,080	110,117
BEGINNING NET ASSETS	<u>501,074</u>	<u>15,671</u>	<u>516,745</u>	<u>406,628</u>
ENDING NET ASSETS	<u>\$ 787,547</u>	<u>\$ 21,278</u>	<u>\$ 808,825</u>	<u>\$ 516,745</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, 2020
(With Comparative Financial Information for the Year Ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 292,080	\$ 110,117
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(31,225)	(34,733)
Change in cash surrender value of donor life insurance policy	(272)	(1,665)
(Increase) decrease in:		
Contributions receivable	(4,826)	(1,244)
Inventory	(1,380)	(2,930)
Prepaid expenses	(474)	(3,980)
Increase (decrease) in:		
Accounts payable	3,040	689
Grants payable	(52,500)	(27,500)
Net cash provided by operating activities	204,443	38,754
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvestment of investment income	(7,947)	(11,425)
Net cash used in investing activities	(7,947)	(11,425)
Net increase in cash	196,496	27,329
Cash at beginning of year	131,831	104,502
Cash at end of year	\$ 328,327	\$ 131,831

The Accompanying Notes Are an Integral Part of these Financial Statements

P.R.I.S.M.S., Inc.
Statement Of Functional Expenses
For The Year Ended December 31, 2020
(With Summarized Comparative Financial Information for the Year Ended December 31, 2019)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>2020 Total</u>	<u>2019 Total</u>
EXPENSES:					
Accounting & audit	\$	\$ 12,435	\$	\$ 12,435	\$ 12,171
Bank service charges		5,291		5,291	5,166
Conference	28,934			28,934	-
Consultants	6,750			6,750	26,002
Contract labor-administrative	2,462	17,107	225	19,794	13,695
Cost of direct benefits to donors			6,342	6,342	11,573
In-kind contributions			1,600	1,600	-
Insurance		3,434		3,434	3,691
Meetings				-	40,828
Miscellaneous	1,085	2,901	8,906	12,892	4,469
Research grants	32,500			32,500	10,000
Salary & related-Executive Director	69,420	18,512	4,628	92,560	35,676
Supplies		501		501	4,945
Postage & delivery	148	1,777	451	2,376	4,389
Printing & reproduction			2,064	2,064	4,154
Technology	1,120	28	220	1,368	6,146
Telephone		941		941	740
	<u>\$ 142,419</u>	<u>\$ 62,927</u>	<u>\$ 24,436</u>	<u>\$ 229,782</u>	<u>\$ 183,645</u>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(6,342)</u>	<u>(6,342)</u>	<u>(11,573)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 142,419</u>	<u>\$ 62,927</u>	<u>\$ 18,094</u>	<u>\$ 223,440</u>	<u>\$ 172,072</u>

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, 2020

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 cytogenetic 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, counseling, 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 and funds research. An international conference is planned for every two-three years. P.R.I.S.M.S., Inc. is supported by contributions and conference registration fees.

Note 2. Significant Accounting Policies:

Basis of Financial Presentation: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 (or certain grantor) restrictions.

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. At that point in time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (Continued):

Revenue and Revenue Recognition: P.R.I.S.M.S., Inc. recognizes conference registration revenues when the conference has occurred. Contributions are recognized when the donor makes a promise to give to P.R.I.S.M.S., Inc. that is in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Cash and Cash Equivalents: P.R.I.S.M.S., Inc. has defined cash and cash equivalents as cash in banks and highly liquid investments with an initial maturity of three months or less, except for those amounts held by P.R.I.S.M.S., Inc.'s investment managers as part of a long-term strategy. P.R.I.S.M.S., Inc. had no cash equivalents as of December 31, 2020.

Contributions receivable: Contributions receivable are unconditional promises to make future gifts. P.R.I.S.M.S., Inc. recognizes a receivable and contribution revenue at the time the promise is made by the donor if it is verifiable, measurable, and probable of collection. Conditional promises to give, which depend on the occurrence of specified future events, are recognized when the conditions are met.

All outstanding balances at year end are analyzed for collectability through a review of specific accounts that factor in historical trends. Based on that analysis, management has determined that no allowance for uncollectable accounts should be established as of December 31, 2020.

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

Investments: Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (Continued):

Donated Services and In-Kind Contributions: Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Donated professional services are recorded at the respective fair values of the services received 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. Contributed goods are recorded at fair value on the date of donation. For the year ended December 31, 2020, the estimated fair value of donated promotional items was \$1,600.

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. Certain categories of expenses are attributed to more than one program or supporting function, requiring allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of estimates of time and effort.

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.

Comparative Financial Information: The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with P.R.I.S.M.S., Inc.'s audited financial statements for the year ended December 31, 2019, from which the summarized information was derived. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Estimates: The preparation of the 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 under different assumptions or conditions.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 2. Significant Accounting Policies (Continued):

Accounting Pronouncements Adopted: In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This standard removed, modified, and added additional disclosure requirements on fair value measurements, specifically surrounding: (a) the amount of and reasons for transfers between Level 1 and Level 2 investments, (b) the policy for timing of these transfers, (c) the valuation process for Level 3 fair value measurements, and (d) the changes in unrealized gains and losses for the period including earnings on Level 3 fair value measurements held at the end of the reporting period. P.R.I.S.M.S., Inc. adopted ASU 2018-13 with a date of the initial application of January 1, 2020. The adoption had no material effect on P.R.I.S.M.S., Inc.'s financial statements.

Note 3. 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 the state of Virginia corporate income tax. P.R.I.S.M.S., Inc. qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). P.R.I.S.M.S., Inc. is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that P.R.I.S.M.S., Inc. is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2020. Management of P.R.I.S.M.S., Inc. has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist.

Note 4. Concentrations:

Financial instruments that potentially subject P.R.I.S.M.S., Inc. to credit risk consist of cash deposits and contributions receivable. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per banking institution. As of December 31, 2020, there were combined cash deposits of \$71,849 in excess of FDIC limits. P.R.I.S.M.S., Inc. has not experienced losses in any of these accounts.

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 donor base and their dispersion across different geographic areas. The balances were collected subsequent to year end.

For the year ended December 31, 2020, approximately 58% of P.R.I.S.M.S., Inc.'s revenue was from one donor, who was a Board Officer through December 31, 2020.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 5. 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	\$ 328,327
Contributions receivable	6,925
Investments	<u>468,445</u>
Total financial assets	803,697
Funds subject to donor-imposed restrictions	<u>(21,278)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 782,419</u></u>

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 6. Cash Surrender Value of Donor Life Insurance Policy:

P.R.I.S.M.S., Inc. is the owner and beneficiary of a donated life insurance policy on the live of a supporter. The insured individual donates the cost of the premiums of the policy, which is recognized as contribution revenue and P.R.I.S.M.S., Inc. pays the premiums to the insurance company. The cash surrender value of the policy has been recorded in the statement of financial position in the amount of \$13,037 as of December 31, 2020.

Note 7. Investments:

Investments are held in Vanguard LifeStrategy Income Fund (the 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). Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Management believes the exposure of the Fund is not significant and is in accordance with the guidelines established by the Board of Directors. The balance of the Fund as of December 31, 2020 is 468,445.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 8. Net Assets With Donor Restrictions:

Net assets with donor restrictions as of December 31, 2020 are as follows:

	<u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Released</u>	<u>Dec. 31, 2020</u>
Subject to expenditure for specified purpose:				
Research	\$ 10,380	\$ 15,033	\$ (25,413)	\$ -
International Conference scholarships	80	3,250		3,330
International Conference sponsorships		7,760		7,760
SMS Meet-ups	3,263			3,263
Subject to the passage of time:				
Contributions that are not restricted by donors, which are unavailable for expenditure until due	1,948	6,925	(1,948)	6,925
Total	<u>\$ 15,671</u>	<u>\$ 32,968</u>	<u>\$ (27,361)</u>	<u>\$ 21,278</u>

Note 9. Payroll Protection Program:

On May 6, 2020, P.R.I.S.M.S., Inc. received loan proceeds in the amount of \$16,667 under a first draw Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration (SBA). Under the terms of CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or portion of the loans granted under PPP.

P.R.I.S.M.S., Inc. has accounted for the PPP loan as a conditional contribution. The contribution is considered to be conditioned upon certain performance requirements and the incurrence of qualifying expenses. The proceeds are recognized as revenue when P.R.I.S.M.S., Inc. has incurred expenses in compliance with the loan provisions. The funds were used by P.R.I.S.M.S., Inc. to pay eligible payroll costs. P.R.I.S.M.S., Inc. complied with all terms of the PPP Loan and has recorded grant revenue in the amount of \$16,667 based on qualifying expenses for the year ended December 31, 2020. On June 16, 2021 P.R.I.S.M.S., Inc. was notified that the eligibility criteria had been met and the loan had been forgiven in full.

Note 10. Related Parties:

For the year ended December 31, 2020, P.R.I.S.M.S. Inc. awarded \$32,500 in grant funds to a research institution to partially fund research coordinator and genetic counselor positions for work on the SMS Patient Registry. Of that amount, \$15,000 is payable to the research institution as of December 31, 2020. The research coordinator and genetic counselor report directly to a P.R.I.S.M.S., Inc.'s board member who is employed by the research institution.

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 11. Subsequent Events:

P.R.I.S.M.S., Inc.'s management has evaluated subsequent events through October 31, 2021, the date the financial statements were available to be issued.

As a result of the spread of COVID-19 pandemic, P.R.I.S.M.S., Inc. cancelled a contract with Hyatt Regency Dallas Hotel (the Hotel) for hotel room, meeting space, and food and beverage services for July 2020 international conference. No cancellation fees were charged contingent upon P.R.I.S.M.S., Inc. holding both August 2021 and August 2023 conferences at the Hotel. Due to continued uncertainties in the first months of 2021, August 2021 conference was also cancelled. A cancellation fee in the amount of \$18,750 was charged by the Hotel.

On February 26, 2021, contracts with the Hotel were signed for August 2022 and July 2024 conferences. In accordance with August 2022 conference agreement, cancellation fee ranges from \$51,550 if the agreement is cancelled prior to January 5, 2022 to \$94,480 if the contract is cancelled after May 5, 2022. In accordance with July 2024 conference agreement, cancellation fee ranges from \$51,466 if the agreement is cancelled prior to August 8, 2022 to \$ 110,931 if the contract is cancelled after January 11, 2024.

In April 2019, P.R.I.S.M.S., Inc. entered into a contract for childcare and youth services during the July 2020 international conference. The fee for services based on the minimum number of participants is \$17,336. The date was initially changed to August 2021 and subsequently to August 2022 with no change in other terms and conditions of the contract. Two deposit payments in the amount of \$5,778 each were made in July 2019 and January 2021.

On January 27, 2021, P.R.I.S.M.S., Inc. received a second draw loan from the SBA in the amount of \$17,250 under the PPP. The loan terms are similar to the first draw loan (See Note 9). On July 16, 2021 P.R.I.S.M.S., Inc. was notified that the eligibility criteria had been met and the loan has been forgiven in full.

There is significant uncertainty around the effects and duration of business interruption related to COVID-19 pandemic. The extent of the impact on P.R.I.S.M.S., Inc.'s operations, donors, employees, and vendors will depend on certain developments, which cannot be determined at this time.