



Sonnenberg & Company, CPAs

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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, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, cash flows, and functional expenses 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 P.R.I.S.M.S., Inc. as of December 31, 2022, 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.

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 P.R.I.S.M.S., Inc. 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 P.R.I.S.M.S., Inc.'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 Responsibilities 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 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 purpose of expressing an opinion on the effectiveness of P.R.I.S.M.S., Inc.'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 P.R.I.S.M.S., Inc.'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 related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited P.R.I.S.M.S., Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



August 15, 2023

Sonnenberg & Company, CPAs

P.R.I.S.M.S., Inc.
Statement of Financial Position
December 31, 2022
(With Comparative Financial Information as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 163,529	\$ 334,852
Contributions and accounts receivable	5,305	11,279
Inventory	1,721	6,727
Prepaid expenses	2,542	13,553
Investments	410,929	477,462
Cash surrender value of donor life insurance policy	<u>14,947</u>	<u>14,340</u>
TOTAL ASSETS	<u><u>\$ 598,973</u></u>	<u><u>\$ 858,213</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 15,028	\$ 9,788
Grants payable	<u>75,000</u>	<u>18,500</u>
Total Liabilities	90,028	28,288
Net Assets		
Without donor restrictions	501,309	802,589
With donor restrictions	<u>7,636</u>	<u>27,336</u>
Total net assets	<u>508,945</u>	<u>829,925</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 598,973</u></u>	<u><u>\$ 858,213</u></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, 2022
(With Summarized Comparative Financial Information for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
SUPPORT AND REVENUE				
Contributions	\$ 205,051	\$ 45,850	\$ 250,901	\$ 168,157
Payroll Protection Program grant			-	17,250
Conference registration fees	45,131		45,131	6,300
Special events	53,864		53,864	60,510
Less: cost of direct benefits to donors	(9,112)		(9,112)	(8,287)
In-kind contributions	6,730		6,730	8,711
Books & promotional items sales (net)	2,653		2,653	2,440
Net investment return	(65,927)		(65,927)	10,321
Net assets released from restrictions	65,550	(65,550)	-	-
Total support and revenue	<u>303,940</u>	<u>(19,700)</u>	<u>284,240</u>	<u>265,402</u>
EXPENSES				
Program services	463,727		463,727	159,879
Management & general	98,124		98,124	67,310
Fund-raising	43,369		43,369	17,113
Total expenses	<u>605,220</u>	<u> </u>	<u>605,220</u>	<u>244,302</u>
CHANGE IN NET ASSETS	(301,280)	(19,700)	(320,980)	21,100
BEGINNING NET ASSETS	<u>802,589</u>	<u>27,336</u>	<u>829,925</u>	<u>808,825</u>
ENDING NET ASSETS	<u>\$ 501,309</u>	<u>\$ 7,636</u>	<u>\$ 508,945</u>	<u>\$ 829,925</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, 2022
(With Comparative Financial Information for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (320,980)	\$ 21,100
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	74,736	583
Change in cash surrender value of donor life insurance policy	(607)	(1,303)
(Increase) decrease in:		
Contributions receivable	5,974	(4,354)
Inventory	5,006	(1,767)
Prepaid expenses	11,011	(5,294)
Increase (decrease) in:		
Accounts payable	5,240	3,660
Grants payable	56,500	3,500
Net cash provided by (used in) operating activities	(163,120)	16,125
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvestment of investment income	(8,203)	(9,600)
Net cash used in investing activities	(8,203)	(9,600)
Net increase (decrease) in cash	(171,323)	6,525
Cash at beginning of year	334,852	328,327
Cash at end of year	\$ 163,529	\$ 334,852

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, 2022

(With Summarized Comparative Financial Information for the Year Ended December 31, 2021)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>2022 Total</u>	<u>2021 Total</u>
EXPENSES:					
Accounting & audit	\$	\$ 13,014	\$	\$ 13,014	\$ 12,730
Bank service charges		9,938		9,938	6,215
Conference	249,661			249,661	27,457
Consultants	14,067	2,175	28,000	44,242	14,116
Contract labor-administrative	14,430	22,035	110	36,575	22,240
Cost of direct benefits to donors			9,112	9,112	8,287
In-kind contributions	10,441			10,441	5,000
Insurance		3,266		3,266	4,404
Miscellaneous	13,887	3,761	10,055	27,703	12,096
Research grants	75,000			75,000	39,000
Salary & related-Executive Director	69,254	18,468	4,617	92,339	91,835
Supplies	6,188	1,863	22	8,073	149
Postage & delivery	2,252	1,397	242	3,891	3,389
Printing & reproduction	7,055	66	266	7,387	2,137
Technology	289	4,043	57	4,389	2,375
Telephone		381		381	1,159
Travel	<u>1,203</u>	<u>17,717</u>		<u>18,920</u>	<u>-</u>
Total expenses by function	\$ 463,727	\$ 98,124	\$ 52,481	\$ 614,332	\$ 252,589
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors			<u>(9,112)</u>	<u>(9,112)</u>	<u>(8,287)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 463,727</u>	<u>\$ 98,124</u>	<u>\$ 43,369</u>	<u>\$ 605,220</u>	<u>\$ 244,302</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, 2022

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, 2022

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, 2022.

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, 2022.

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, 2022

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, 2022, the estimated fair value of donated items was \$6,730.

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, 2021, 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, 2022

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, 2022. 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. At various times during the year there were balances in the bank over the FDIC limit. At December 31, 2022, P.R.I.S.M.S., Inc.'s cash balance is fully insured.

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, 2022, approximately 29% of P.R.I.S.M.S., Inc.'s support and revenue was from two donors.

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	\$ 163,529
Contributions and accounts receivable	5,305
Investments	<u>410,929</u>
Total financial assets	579,763
Funds subject to donor-imposed restrictions	<u>(7,636)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 572,127</u></u>

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2022

Note 5. Liquidity and Availability of Financial Assets (Continued):

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. 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, 2022 is 410,929.

Note 7. 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 \$14,947 as of December 31, 2022.

Note 8. Net Assets With Donor Restrictions:

Net assets with donor restrictions as of December 31, 2022 are as follows:

	Jan. 1, 2022	Additions	Released	Dec. 31, 2022
Subject to expenditure for specified purpose:				
Conference scholarships	\$ 9,233	\$	\$ (9,233)	\$ -
Conference & Virtual Summit sponsorships	6,950	40,545	(47,495)	-
SMS Meet-ups	2,890		(559)	2,331
Subject to the passage of time:				
Time restrictions-contributions receivable	8,263	5,305	(8,263)	5,305
Total	<u>\$ 27,336</u>	<u>\$ 45,850</u>	<u>\$ (65,550)</u>	<u>\$ 7,636</u>

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2022

Note 9. Related Parties:

During the year ended December 31, 2022, P.R.I.S.M.S. Inc. awarded \$75,000 in grant funds to a research institution to fund a research coordinator position and other staff needed to support the SMS Patient Registry. The entire amount is payable to the research institution as of December 31, 2022. The research coordinator reports directly to a P.R.I.S.M.S., Inc.'s board member who is employed by the research institution.

Note 10. Date of Management Review:

P.R.I.S.M.S., Inc.'s management has evaluated subsequent events through August 15, 2023, the date the financial statements were available to be issued. Management is not aware of any such subsequent events that would require adjustment to, or disclosures in, the financial statements.