



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, 2023**

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 22, 2024

Sonnenberg & Company, CPAs

P.R.I.S.M.S., Inc.
Statement of Financial Position
December 31, 2023
(With Comparative Financial Information as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 230,835	\$ 163,529
Contributions and accounts receivable	2,750	5,305
Inventory	972	1,721
Prepaid expenses	7,861	2,542
Investments	433,353	410,929
Cash surrender value of donor life insurance policy	<u>15,583</u>	<u>14,947</u>
TOTAL ASSETS	<u>\$ 691,354</u>	<u>\$ 598,973</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,859	\$ 15,028
Grants payable	<u>18,750</u>	<u>75,000</u>
Total Liabilities	21,609	90,028
Net Assets		
Without donor restrictions	658,238	501,309
With donor restrictions	<u>11,507</u>	<u>7,636</u>
Total net assets	<u>669,745</u>	<u>508,945</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 691,354</u>	<u>\$ 598,973</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, 2023
(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>	<u>2022 Totals</u>
SUPPORT AND REVENUE				
Contributions	\$ 348,820	\$ 9,851	\$ 358,671	\$ 250,901
Conference registration fees			-	45,131
Special events revenue and related contributic	50,376		50,376	53,864
Less: cost of direct benefits to donors	(6,008)		(6,008)	(9,112)
In-kind contributions	3,288		3,288	6,730
Books & promotional items sales (net)	6,082		6,082	2,653
Net investment return	23,169		23,169	(65,927)
Net assets released from restrictions	5,980	(5,980)	-	-
Total support and revenue	<u>431,707</u>	<u>3,871</u>	<u>435,578</u>	<u>284,240</u>
EXPENSES				
Program services	165,866		165,866	463,727
Management & general	75,005		75,005	98,124
Fundraising	33,907		33,907	43,369
Total expenses	<u>274,778</u>	<u> </u>	<u>274,778</u>	<u>605,220</u>
CHANGE IN NET ASSETS	156,929	3,871	160,800	(320,980)
BEGINNING NET ASSETS	<u>501,309</u>	<u>7,636</u>	<u>508,945</u>	<u>829,925</u>
ENDING NET ASSETS	<u>\$ 658,238</u>	<u>\$ 11,507</u>	<u>\$ 669,745</u>	<u>\$ 508,945</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, 2023
(With Comparative Financial Information for the Year Ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 160,800	\$ (320,980)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(14,957)	74,736
Change in cash surrender value of donor life insurance policy	(636)	(607)
(Increase) decrease in:		
Contributions receivable	2,555	5,974
Inventory	749	5,006
Prepaid expenses	(5,319)	11,011
Increase (decrease) in:		
Accounts payable	(12,169)	5,240
Grants payable	(56,250)	56,500
Net cash provided by (used in) operating activities	74,773	(163,120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvestment of investment income	(7,467)	(8,203)
Net cash used in investing activities	(7,467)	(8,203)
Net increase (decrease) in cash	67,306	(171,323)
Cash at beginning of year	163,529	334,852
Cash at end of year	\$ 230,835	\$ 163,529

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, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>2023 Total</u>	<u>2022 Total</u>
EXPENSES:					
Accounting & audit	\$	\$ 18,693	\$	\$ 18,693	\$ 13,014
Bank service charges		1,254	4,677	5,931	9,938
Conference	19,695			19,695	249,661
Consultants	14,044		8,000	22,044	44,242
Contract labor-administrative	1,357	11,675	143	13,175	36,575
Cost of direct benefits to donors			6,008	6,008	9,112
Contributed assets		1,488	1,800	3,288	10,441
Insurance		3,832		3,832	3,266
Miscellaneous	1,235	2,279	7,906	11,420	27,703
Research grants				-	75,000
Salary & related-Executive Director	105,664	28,177	7,044	140,885	92,339
Supplies		368		368	8,073
Postage & delivery	282	1,411	194	1,887	3,891
Printing & reproduction	701	598	3,144	4,443	7,387
Technology	4,244	3,765	999	9,008	4,389
Telephone		835		835	381
Travel	<u>18,644</u>	<u>630</u>		<u>19,274</u>	<u>18,920</u>
Total expenses by function	\$ 165,866	\$ 75,005	\$ 39,915	\$ 280,786	\$ 614,332
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors			<u>(6,008)</u>	<u>(6,008)</u>	<u>(9,112)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 165,866</u>	<u>\$ 75,005</u>	<u>\$ 33,907</u>	<u>\$ 274,778</u>	<u>\$ 605,220</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, 2023

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, 2023

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, 2023.

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, 2023.

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, 2023

Note 2. Significant Accounting Policies (Continued):

Contributed Nonfinancial Assets: The estimated fair value of donated goods and professional services is recorded in the financial statements. Donated goods are recorded at fair value at the date of donation. Donated professional services are recognized in the financial statements because the services create nonfinancial assets, require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. P.R.I.S.M.S., Inc. presents contributed nonfinancial assets in accordance with Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

P.R.I.S.M.S., Inc. receives donated volunteer services which have not been reflected in the accompanying financial statements because such services do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America.

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, 2022, 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, 2023

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, 2023. 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, 2023, 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, 2023, approximately 37% 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	\$ 230,835
Contributions and accounts receivable	2,750
Investments	433,353
Total financial assets	666,938
Funds subject to donor-imposed restrictions	(11,507)
Financial assets available to meet general expenditures within one year	\$ 655,431

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2023

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, 2023 is 433,353.

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 \$15,583 as of December 31, 2023.

Note 8. Net Assets With Donor Restrictions:

Net assets with donor restrictions as of December 31, 2023 are as follows:

	<u>Jan. 1, 2023</u>	<u>Additions</u>	<u>Released</u>	<u>Dec. 31, 2023</u>
Subject to expenditure for specified purpose:				
Conference scholarships	\$	\$ 4,601	\$	\$ 4,601
Conference sponsorships		2,500		2,500
SMS Meet-ups	2,331		(675)	1,656
Subject to the passage of time:				
Time restrictions-contributions receivable	<u>5,305</u>	<u>2,750</u>	<u>(5,305)</u>	<u>2,750</u>
Total	<u>\$ 7,636</u>	<u>\$ 9,851</u>	<u>\$ (5,980)</u>	<u>\$ 11,507</u>

P.R.I.S.M.S., Inc.
Notes to Financial Statements
Year Ended December 31, 2023

Note 9. Contributed Nonfinancial Assets:

For the year ended December 31, 2023, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Programs/Activities	Valuation Techniques and inputs
Donated facilities	\$ 1,300	Fundraising	Room rates
Band performance at a fundraiser	\$ 500	Fundraising	Event fees
Unreimbursed travel to Board meetings	\$ 1,488	Management &	Airplane ticket prices

Contributed nonfinancial assets did not have donor-imposed restrictions.

Note 10. Contract Commitments:

P.R.I.S.M.S., Inc.'s contract for hotel room, banquet food and beverage services for the July 2024 international conference was originally signed in May 2020 and subsequently amended. In accordance with the contract, cancellation fees range from \$51,466 if the contract is cancelled prior to August 8, 2022 to \$110,931 if the contract is cancelled after January 11, 2024.

In September 2023, P.R.I.S.M.S., Inc. entered into a contract for childcare and youth services during the 2024 international conference. The fee for services based on the minimum number of participants is \$23,720 with additional fees for increasing the program size. In accordance with the contract, cancellation fees range from \$0 if the contract is cancelled up until eight weeks prior to the event to 100% of program fee if the contract is cancelled within two weeks prior to the event.

Note 11. Date of Management Review:

P.R.I.S.M.S., Inc.'s management has evaluated subsequent events through May 22, 2024, 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.