

PHELAN-McDERMID SYNDROME FOUNDATION, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Phelan-McDermid Syndrome Foundation, Inc.
Venice, Florida

We have audited the accompanying statement of financial position of Phelan-McDermid Syndrome Foundation, Inc. (a non-profit "Organization") as of December 31, 2011, and the related statements of activities, cash flows, functional expenses, comprehensive income and changes in accumulated comprehensive income for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phelan-McDermid Syndrome Foundation, Inc., as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dowd, Whittaker & Associates

Dowd, Whittaker & Associates
Certified Public Accountants

May 7, 2012

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

(See Independent Auditors' Report)

	Assets		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 323,766	\$ 18,533	\$ 342,299
Certificate of deposit	50,151	-	50,151
Raffle inventory	823	-	823
Deposits	1,350	-	1,350
Total Current Assets	<u>376,090</u>	<u>18,533</u>	<u>394,623</u>
Non Current Assets			
Investments (endowment fund)	<u>26,274</u>	<u>-</u>	<u>26,274</u>
Total Assets	<u>\$ 402,364</u>	<u>\$ 18,533</u>	<u>\$ 420,897</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 4,238	\$ -	\$ 4,238
Payroll taxes payable	1,323	-	1,323
Accrued payroll	2,456	-	2,456
Fellowship payable	50,000	-	50,000
Total Current Liabilities	<u>58,017</u>	<u>-</u>	<u>58,017</u>
Total Liabilities	<u>58,017</u>	<u>-</u>	<u>58,017</u>
Net Assets			
Unrestricted	327,718	-	327,718
Temporarily restricted	-	18,533	18,533
Board designated	15,769	-	15,769
Accumulated other comprehensive income	860	-	860
Total Net Assets	<u>344,347</u>	<u>18,533</u>	<u>362,880</u>
Total Liabilities and Net Assets	<u>\$ 402,364</u>	<u>\$ 18,533</u>	<u>\$ 420,897</u>

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF ACTIVITIES
 For the year ended December 31, 2011

(See Independent Auditors' Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
General Contributions:			
Individuals	\$ 215,050	\$ 39,608	\$ 254,658
Businesses and organizations	11,630	17,193	28,823
In-Kind	<u>12,491</u>	<u>-</u>	<u>12,491</u>
Total General Contributions	<u>239,171</u>	<u>56,801</u>	<u>295,972</u>
Special Events:			
Contributions	13,806	-	13,806
Other event revenue	12,163	-	12,163
In-kind	19,307	-	19,307
Less: direct expenses	<u>(34,544)</u>	<u>-</u>	<u>(34,544)</u>
Total Special Events	<u>10,732</u>	<u>-</u>	<u>10,732</u>
Other Revenue:			
Program service revenue	8,205	-	8,205
Interest income	2,011	-	2,011
Investment income (realized)	1,400	-	1,400
Currency adjustment	476	-	476
Store sales	<u>1,492</u>	<u>-</u>	<u>1,492</u>
Total Other Revenue	<u>13,584</u>	<u>-</u>	<u>13,584</u>
Total Support and Revenue	263,487	56,801	320,288
Net assets released from restriction	<u>208,648</u>	<u>(208,648)</u>	<u>-</u>
Total Support, Revenue and Other	472,135	(151,847)	320,288
Expenses:			
Program services	258,419	-	258,419
Management and general	47,919	-	47,919
Fund raising	<u>69,473</u>	<u>-</u>	<u>69,473</u>
Total Expenses	<u>375,811</u>	<u>-</u>	<u>375,811</u>
Increase (decrease) in net assets	96,324	(151,847)	(55,523)
Net assets at beginning of year	<u>247,163</u>	<u>170,380</u>	<u>417,543</u>
Net assets at end of year	<u>\$ 343,487</u>	<u>\$ 18,533</u>	<u>\$ 362,020</u>

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

(See Independent Auditors' Report)

Cash flows from operating activities:

Increase (decrease) in net assets	\$ (55,523)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Change in receivables	114
Change in auction inventory	(823)
Change in deposits	1,150
Change in accounts payable	(6,764)
Change in payroll taxes payable	(578)
Change in accrued payroll	(1,683)
Change in deferred income	(773)
Change in fellowship payable	50,000
Total Adjustments	<u>40,643</u>
Net cash provided (used) by operating activities	<u>(14,880)</u>
Cash flows from investing activities:	
Change in investments (realized)	(1,400)
Change in certificates of deposit	<u>(1,073)</u>
Net cash provided (used) by investing activities	<u>(2,473)</u>
Net increase (decrease) in cash and equivalents	(17,353)
Cash and equivalents, beginning of year	<u>359,652</u>
Cash and equivalents, end of year	<u>\$ 342,299</u>

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2011

(See Independent Auditors' Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries, wages & payroll taxes	\$ 21,648	\$ 15,829	\$ 51,109	\$ 88,586
Advertising and promotion	4,962	140	7,998	13,100
Insurance	-	3,743	-	3,743
Conventions / conferences / meetings	28,774	9	50	28,833
Miscellaneous	550	-	-	550
Occupancy	4,074	2,128	6,029	12,231
Office expenses	1,148	6,557	3,916	11,621
Professional fees	-	4,650	-	4,650
Grants	113,859	-	-	113,859
Accounting	-	4,255	-	4,255
Technology expenses	51,493	5,488	24	57,005
Travel	31,911	5,120	347	37,378
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	258,419	47,919	69,473	375,811

The accompanying notes are an integral part of these financial statements

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN ACCUMULATED COMPREHENSIVE INCOME
For the year ended December 31, 2011

(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Total
Increase (decrease) in net assets	\$ 96,324	\$ (151,847)	\$ (55,523)
Other comprehensive income:			
Unrealized gains (losses) on securities	(1,422)	-	(1,422)
Total comprehensive income (loss)	94,902	(151,847)	(56,945)
Beginning accumulated comprehensive income	249,445	170,380	419,825
Ending accumulated comprehensive income	\$ 344,347	\$ 18,533	\$ 362,880

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(See Independent Auditors' Report)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Phelan-McDermid Syndrome Foundation, Inc. (the "Organization") is a not-for-profit organization formed under Internal Revenue Code 501(c)(3). Its main office is located in Venice, Florida. The mission of the Phelan-McDermid Syndrome Foundation is to improve the quality of life of people affected by Phelan-McDermid Syndrome worldwide by accelerating research, providing family support and raising awareness. The Organization supports scientific research as a way to find the best medical or clinical practices to help those with Phelan-McDermid Syndrome (PMS). The Organization also strives to be the clearinghouse for information, contacts, collaboration and networking that can help to spread effective practices, practical advice and family support to help those caring for people diagnosed with PMS. The biennial family conference and symposium brings together stakeholders, including families, caregivers, medical experts, researchers and teachers. This conference, regional meetings, social networking and communication with families all help the Organization provide effective strategies families can use to reduce the stress of caring for someone with PMS.

The Organization is supported primarily by donor contributions.

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Phelan-McDermid Syndrome Foundation, Inc. presents its financial statements using guidelines established under Statement of Financial Accounting Standard Codification 958. This standard requires that a non-profit organization provide information regarding the net assets of the organization based on the existence or absence of donor-imposed restrictions. The types of restrictions are described as follows:

Temporarily restricted net assets – The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of the organization pursuant to those stipulations.

Permanently restricted net assets – The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the organization pursuant to those stipulations.

Unrestricted net assets – The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

PHELAN-MCDERDMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

(See Independent Auditors' Report)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises To Give

Contributions are recognized when the donor makes a promise to give to The Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of 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.

Volunteer Services

Contributed services are recognized if the services received (a) create or increase non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization had a substantial number of volunteers that donated significant amounts of their time to program services that were not recognized as program revenue and expense since they do not meet the criteria described above. Certain key volunteers for the Organization have been essential to achieving the research goals and the efficient organization and management of the scientific and family support conferences.

Investments

Investments in marketable securities are recorded at their fair values. Fair value is the net asset value for money market and mutual funds, and the closing sale or bid for bonds and common stock. Realized gains and losses are included in revenues in the Statement of Activities. Unrealized gains and losses are included in the Statement of Comprehensive Income and Changes in Accumulated Comprehensive Income.

Income Tax Status

The Organization has been determined to be an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income, if any, from certain activities not directly related to The Organization's tax-exempt purpose is subject to taxation as unrelated business income.

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

(See Independent Auditors' Report)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, The Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support services are coded directly according to their natural classifications. Other expenses that are common to several functions are allocated based upon estimates made by management.

Compensated Absences

The Organization has not accrued the value of compensated absences such as sick time and vacation pay as it cannot be reasonably estimated.

NOTE 2 – RESTRICTIONS ON NET ASSETS

Temporary restrictions on net assets as of December 31, 2011 consisted of the following:

Funds raised for research/fellowship	\$ 13,258
Funds raised for family conferences	<u>5,275</u>
Temporarily Restricted Assets	\$ 18,533

NOTE 3 – LEASES

In March 2010 The Organization signed a lease agreement for office space in Venice, Florida. Terms of the agreement include monthly payments beginning in March 2010 and ending in February 2013. Either party may terminate the lease for any reason on 30 days prior written notice at any time after March 1, 2011. Rent expense totaled \$11,358 for the year ended December 31, 2011.

Future minimum lease payments are as follows for the year ended December 31,

2012	\$ 11,719
2013	\$ 1,963
2014	\$ 0
2015	\$ 0
2016	\$ 0

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

(See Independent Auditors' Report)

NOTE 4 – FELLOWSHIP PAYABLE

The Organization has a commitment of \$50,000 to a single research institution in 2012. This amount represents the second payment due under a \$100,000 fellowship grant agreement.

NOTE 5 – TAX RETURN STATUS

At December 31, 2011 the Organization's Federal returns filed for 2008, 2009 and 2010 remain open for examination by the Internal Revenue Service.

NOTE 6 – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Organization has evaluated subsequent events to the Statement of Financial Position date of December 31, 2011 through May 1, 2012 (the date of financial statement issuance) for potential recognition and disclosure. Management has determined that there are no subsequent events that require disclosure.

NOTE 7 – UNINSURED CASH BALANCES

As of December 31, 2011 the Organization's bank deposits exceeded Federal Depository Insurance Corporation (FDIC) coverage by approximately \$36,665. The Organization has never experienced any losses in bank accounts and believes it is not exposed to any significant risk in maintaining accounts with balances in excess of the FDIC insured amounts.

NOTE 8 – AGENCY ENDOWMENT FUND

In 2007, the Organization entered into an agency endowment agreement with the Gulf Coast Community Foundation of Venice (GCCF). Under this agreement, the Organization has transferred a total of \$25,000 to a fund established in the name of Phelan-McDermid Syndrome Foundation, Inc. The Organization is entitled to annual distributions of 4% of the asset value of the agency endowment fund, as determined on a 12 quarter rolling average. Variance power rests with GCCF to consider requests from the Organization for a distribution in excess of 4%.

NOTE 9 – BOARD DESIGNATED FUND

In 2011, the Board voted to designate all funds received from a certain outside social media fundraising service to future fellowships. These funds are reflected as board designated net assets on the accompanying statement of financial position.