

PHELAN-McDERMID SYNDROME FOUNDATION, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Phelan-McDermid Syndrome Foundation, Inc. (a nonprofit "Organization"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, cash flows, comprehensive income and changes in accumulated comprehensive income 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 Phelan-McDermid Syndrome Foundation, Inc. as of December 31, 2012, 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.

*Dowd, Whittaker & Associates*

Dowd Whittaker & Associates  
Certified Public Accountants  
Venice, Florida

May 14, 2013

**PHELAN-MCDERMID SYNDROME FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2012

(See Independent Auditors' Report)

	<b>Assets</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 382,310	\$ 2,575	\$ 384,885
Deposits	3,805	-	3,805
Total Current Assets	<u>386,115</u>	<u>2,575</u>	<u>388,690</u>
<b>Non Current Assets</b>			
Investments (endowment fund)	29,605	-	29,605
Equipment, net of \$300 accumulated depreciation	<u>5,701</u>	<u>-</u>	<u>5,701</u>
Total Non Current Assets	<u>35,306</u>	<u>-</u>	<u>35,306</u>
Total Assets	<u>\$ 421,421</u>	<u>\$ 2,575</u>	<u>\$ 423,996</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 830	\$ -	\$ 830
Current portion of capital lease payable	1,281	-	1,281
Payroll taxes payable	2,610	-	2,610
Fellowship payable	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total Current Liabilities	<u>84,721</u>	<u>-</u>	<u>84,721</u>
<b>Non Current Liabilities</b>			
Capital lease payable	<u>4,423</u>	<u>-</u>	<u>4,423</u>
Total Non Current Liabilities	<u>4,423</u>	<u>-</u>	<u>4,423</u>
Total Liabilities	<u>89,144</u>	<u>-</u>	<u>89,144</u>
<b>Net Assets</b>			
Unrestricted	330,151	-	330,151
Temporarily restricted	-	2,575	2,575
Accumulated other comprehensive income	<u>2,126</u>	<u>-</u>	<u>2,126</u>
Total Net Assets	<u>332,277</u>	<u>2,575</u>	<u>334,852</u>
Total Liabilities and Net Assets	<u>\$ 421,421</u>	<u>\$ 2,575</u>	<u>\$ 423,996</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, 2012

(See Independent Auditors' Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue:</b>			
General Contributions:			
Individuals	\$ 158,047	\$ 24,709	\$ 182,756
Businesses and organizations	82,023	8,525	90,548
In-Kind	<u>19,135</u>	<u>-</u>	<u>19,135</u>
Total General Contributions	<u>259,205</u>	<u>33,234</u>	<u>292,439</u>
Special Events:			
Contributions	22,567	-	22,567
Other event revenue	16,255	-	16,255
In-kind	18,787	-	18,787
Less: direct expenses	<u>(36,103)</u>	<u>-</u>	<u>(36,103)</u>
Total Special Events	<u>21,506</u>	<u>-</u>	<u>21,506</u>
Other Revenue:			
Program family conference fees	53,818	-	53,818
Program symposium fees	11,376	-	11,376
Other program income	1,500	-	1,500
Interest income	678	-	678
Investment income (realized)	2,065	-	2,065
Currency adjustment	364	-	364
Store sales	<u>15,920</u>	<u>-</u>	<u>15,920</u>
Total Other Revenue	<u>85,721</u>	<u>-</u>	<u>85,721</u>
Total Support and Revenue	366,432	33,234	399,666
Net assets released from restriction	<u>49,192</u>	<u>(49,192)</u>	<u>-</u>
Total Support, Revenue and Other	415,624	(15,958)	399,666
<b>Expenses:</b>			
Program services	319,952	-	319,952
Management and general	77,411	-	77,411
Fund raising	<u>31,597</u>	<u>-</u>	<u>31,597</u>
Total Expenses	<u>428,960</u>	<u>-</u>	<u>428,960</u>
Increase (decrease) in net assets	(13,336)	(15,958)	(29,294)
Net assets at beginning of year	<u>343,487</u>	<u>18,533</u>	<u>362,020</u>
Net assets at end of year	<u>\$ 330,151</u>	<u>\$ 2,575</u>	<u>\$ 332,726</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, 2012

(See Independent Auditors' Report)

<b>Cash flows from operating activities:</b>	
Increase (decrease) in net assets	\$ (29,294)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	300
Change in auction inventory	823
Change in deposits	(2,455)
Change in accounts payable	(3,409)
Change in payroll taxes payable	1,288
Change in accrued payroll	(2,456)
Change in fellowship payable	30,000
Total Adjustments	<u>24,091</u>
Net cash provided (used) by operating activities	<u>(5,203)</u>
<b>Cash flows from investing activities:</b>	
Change in investments (realized)	(2,065)
Change in certificates of deposit	50,151
Change in accumulated other	
Cash payments for purchase of equipment	<u>(6,001)</u>
Net cash provided (used) by investing activities	<u>42,085</u>
<b>Cash flows from financing activities:</b>	
Proceeds from Capital lease	6,001
Repayment of Capital lease	<u>(297)</u>
Net cash provided (used) by financing activities	<u>5,704</u>
Net increase (decrease) in cash and equivalents	42,586
Cash and equivalents, beginning of year	<u>342,299</u>
Cash and equivalents, end of year	<u>\$ 384,885</u>
Supplemental Disclosure:	
Interest paid	\$ 177

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, 2012

(See Independent Auditors' Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries, wages and payroll taxes	\$ 38,941	\$ 34,261	\$ 22,790	\$ 95,992
Advertising and promotion	12,726	-	4,632	17,357
Depreciation	300	-	-	300
Insurance	-	3,980	-	3,980
Interest	177	-	-	177
Conventions / conferences / meetings	88,944	-	50	88,994
Miscellaneous	-	407	75	482
Occupancy	4,792	4,417	2,671	11,880
Office expenses	1,625	14,313	903	16,841
Professional fees	1,182	7,462	-	8,644
Grants	109,899	-	-	109,899
Accounting	-	2,725	-	2,725
Website maintenance including				
PMSIR registry	59,575	6,412	-	65,987
Travel - lodging	1,014	1,948	476	3,438
Travel - meals	-	1,486	-	1,487
Travel - transportation	777	-	-	777
<b>Total Expenses</b>	<u>\$ 319,952</u>	<u>\$ 77,411</u>	<u>\$ 31,597</u>	<u>\$ 428,960</u>

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, 2012

(See Independent Auditors' Report)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Increase (decrease) in net assets	\$ (13,336)	\$ (15,958)	\$ (29,294)
Other comprehensive income:			
Unrealized gains (losses) on securities	1,266	-	1,266
Total comprehensive income (loss)	(12,070)	(15,958)	(28,028)
Beginning accumulated comprehensive income	344,347	18,533	362,880
Ending accumulated comprehensive income	\$ 332,277	\$ 2,575	\$ 334,852

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(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, 2012

(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.

Equipment

Equipment is recorded at cost or at estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

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, 2012

(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.

**NOTE 2 – RESTRICTIONS ON NET ASSETS**

Temporary restrictions on net assets as of December 31, 2012 consisted of the following:

Funds raised for family conferences	\$ 2,575
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**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 \$11,880 for the year ended December 31, 2012.

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

2013	\$ 1,963
2014	\$ 0
2015	\$ 0
2016	\$ 0
2017	\$ 0

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2012

(See Independent Auditors' Report)

**NOTE 4 – FELLOWSHIP PAYABLE**

The Organization has a commitment of \$80,000 to a single research institution in 2012. This fellowship is awarded for a period of one year and may be renewed for a second year based on satisfactory progress. A progress report is required ten months after the start of the fellowship and at the end of the second year. The award is for \$40,000 in year one, and \$40,000 in year two.

**NOTE 5 – CAPITAL LEASE PAYABLE**

In September 2012, the Organization signed a four year capital lease agreement to purchase office equipment at monthly payments of \$158. This lease includes a fair market value purchase option for the equipment and has been appropriately capitalized. Principal payments totaled \$297 for the year ended December 31, 2012.

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

2013	\$ 1,281
2014	\$ 1,443
2015	\$ 1,626
2016	\$ 1,354

**NOTE 6 – TAX RETURN STATUS**

Phelan-McDermid Syndrome Foundation, Inc. is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore has no provision for income taxes.

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. At December 31, 2012 the Organization's Federal returns filed for 2009, 2010 and 2011 remain open for examination by the Internal Revenue Service.

**NOTE 7 – 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, 2012 through May 14, 2013 (the date of financial statement issuance) for potential recognition and disclosure. Management has determined that there are no subsequent events that require disclosure.

**NOTE 8 – UNINSURED CASH BALANCES**

As of December 31, 2012 the Organization's bank deposits exceeded Federal Depository Insurance Corporation (FDIC) coverage by approximately \$38,870. 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.

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2012

(See Independent Auditors' Report)

**NOTE 9 – 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%.