

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To 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 statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Phelan-McDermid Syndrome Foundation, Inc.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 16 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Dowd, Whittaker, and Associates, CPA's P.A.
Venice, Florida

May 12, 2016

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

(See Independent Auditor's Report)

	Assets		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 692,791	\$ 22,082	\$ 714,873
Contract billings receivable	186,001	-	186,001
Unbilled contract revenue	69,301	-	69,301
Contributions receivable	37,339	-	37,339
Prepaid insurance	3,683	-	3,683
Deposits	1,200	-	1,200
Total Current Assets	<u>990,315</u>	<u>22,082</u>	<u>1,012,397</u>
Non Current Assets			
Investments	31,702	-	31,702
Equipment, net of \$5,557 accumulated depreciation	<u>3,474</u>	<u>-</u>	<u>3,474</u>
Total Non Current Assets	<u>35,176</u>	<u>-</u>	<u>35,176</u>
Total Assets	<u>\$ 1,025,491</u>	<u>\$ 22,082</u>	<u>\$ 1,047,573</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 207,189	\$ -	\$ 207,189
Grants payable	74,598	-	74,598
Current portion of capital lease payable	<u>1,353</u>	<u>-</u>	<u>1,353</u>
Total Current Liabilities	<u>283,140</u>	<u>-</u>	<u>283,140</u>
Total Liabilities	<u>283,140</u>	<u>-</u>	<u>283,140</u>
Net Assets			
Unrestricted	742,351	-	742,351
Temporarily restricted	<u>-</u>	<u>22,082</u>	<u>22,082</u>
Total Net Assets	<u>742,351</u>	<u>22,082</u>	<u>764,433</u>
Total Liabilities and Net Assets	<u>\$ 1,025,491</u>	<u>\$ 22,082</u>	<u>\$ 1,047,573</u>

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

(See Independent Auditor's Report)

	Assets		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 620,952	\$ 850	\$ 621,802
Contract billings receivable	140,331	-	140,331
Other receivables	21,347	-	21,347
Prepaid insurance	3,707	-	3,707
Deposits	200	-	200
Total Current Assets	<u>786,537</u>	<u>850</u>	<u>787,387</u>
Non Current Assets			
Investments	34,158	-	34,158
Equipment, net of \$3,751 accumulated depreciation	<u>5,280</u>	<u>-</u>	<u>5,280</u>
Total Non Current Assets	<u>39,438</u>	<u>-</u>	<u>39,438</u>
Total Assets	<u>\$ 825,975</u>	<u>\$ 850</u>	<u>\$ 826,825</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 131,108	\$ -	\$ 131,108
Grants payable	140,000	-	140,000
Current portion of capital lease payable	1,626	-	1,626
Accrued payroll and related taxes	<u>1,167</u>	<u>-</u>	<u>1,167</u>
Total Current Liabilities	<u>273,901</u>	<u>-</u>	<u>273,901</u>
Non Current Liabilities			
Capital lease payable	<u>1,353</u>	<u>-</u>	<u>1,353</u>
Total Non Current Liabilities	<u>1,353</u>	<u>-</u>	<u>1,353</u>
Total Liabilities	<u>275,254</u>	<u>-</u>	<u>275,254</u>
Net Assets			
Unrestricted	550,720	-	550,720
Temporarily restricted	<u>-</u>	<u>850</u>	<u>850</u>
Total Net Assets	<u>550,720</u>	<u>850</u>	<u>551,570</u>
Total Liabilities and Net Assets	<u>\$ 825,975</u>	<u>\$ 850</u>	<u>\$ 826,825</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, 2015

(See Independent Auditor's Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
General Contributions:			
Individuals	\$ 171,689	\$ 16,192	\$ 187,881
Businesses and organizations	227,822	30,948	258,770
In-kind	12,217	-	12,217
Total General Contributions	<u>411,728</u>	<u>47,140</u>	<u>458,868</u>
Other Revenue:			
Family conference registration fees	1,521	-	1,521
Contractual income	687,065	-	687,065
Interest income	272	-	272
Investment income	(1,170)	-	(1,170)
Store sales	3,659	-	3,659
Total Other Revenue	<u>691,347</u>	<u>-</u>	<u>691,347</u>
Subtotal Support and Revenue	<u>1,103,075</u>	<u>47,140</u>	<u>1,150,215</u>
Net assets released from restriction	<u>25,908</u>	<u>(25,908)</u>	<u>-</u>
Total Support and Revenue	<u>1,128,983</u>	<u>21,232</u>	<u>1,150,215</u>
Expenses:			
Program services	765,742	-	765,742
Management and general	152,550	-	152,550
Fund raising	19,060	-	19,060
Total Expenses	<u>937,352</u>	<u>-</u>	<u>937,352</u>
Increase (decrease) in net assets	<u>191,631</u>	<u>21,232</u>	<u>212,863</u>
Net assets at beginning of year	<u>550,720</u>	<u>850</u>	<u>551,570</u>
Net assets at end of year	<u>\$ 742,351</u>	<u>\$ 22,082</u>	<u>\$ 764,433</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, 2014

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
General Contributions:			
Individuals	\$ 232,578	\$ 725	\$ 233,303
Businesses and organizations	203,388	15,125	218,513
In-kind	4,248	-	4,248
Total General Contributions	440,214	15,850	456,064
Special Events:			
Contributions	4,914	-	4,914
Total Special Events	4,914	-	4,914
Other Revenue:			
Family conference registration fees	57,858	-	57,858
Symposium registration fees	6,032	-	6,032
Contractual income	375,328	-	375,328
Interest income	366	-	366
Investment income	574	-	574
Store sales	14,836	-	14,836
Total Other Revenue	454,994	-	454,994
Subtotal Support and Revenue	900,122	15,850	915,972
Net assets released from restriction	17,575	(17,575)	-
Total Support and Revenue	917,697	(1,725)	915,972
Expenses:			
Program services	721,266	-	721,266
Management and general	121,785	-	121,785
Fund raising	24,105	-	24,105
Total Expenses	867,156	-	867,156
Increase (decrease) in net assets	50,541	(1,725)	48,816
Net assets at beginning of year	500,179	2,575	502,754
Net assets at end of year	\$ 550,720	\$ 850	\$ 551,570

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

(See Independent Auditor's Report)

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 212,863	\$ 48,816
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,806	1,806
Change in contract billings receivable	(45,670)	(140,331)
Change in unbilled contract revenue	(69,301)	-
Change in contributions receivable	(37,339)	34,587
Change in other receivables	21,347	(21,347)
Change in prepaid insurance	24	(111)
Change in deposits	(1,000)	1,100
Change in accounts payable	76,080	119,156
Change in grants payable	(65,402)	140,000
Change in accrued payroll and related taxes	(1,167)	(1,931)
Change in fellowship payable	-	(40,000)
Total Adjustments	(120,621)	92,929
Net cash provided (used) by operating activities	92,241	141,745
Cash flows from investing activities:		
Change in investments	2,456	(574)
Net cash provided (used) by investing activities	2,456	(574)
Cash flows from financing activities:		
Repayment of Capital lease	(1,626)	(1,443)
Net cash provided (used) by financing activities	(1,626)	(1,443)
Net increase (decrease) in cash and equivalents	93,071	139,728
Cash and equivalents, beginning of year	621,802	482,074
Cash and equivalents, end of year	\$ 714,873	\$ 621,802
 Supplemental Disclosure:		
Interest paid	\$ 270	\$ 452

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

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

(See Independent Auditor's 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 Organization facilitates connections among families through its website, monthly newsletter, regional gatherings and a biennial international conference bringing together families, therapists, caregivers and researchers. The Organization also funds important basic and translational science, a web-based patient registry, and scientific meetings.

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 that 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. The Organization had no permanently restricted net assets as of December 31, 2015 and 2014.

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-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

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

Revenue Recognition - Contributions

Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions Receivable

The Organization records contributions receivable at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. Management considers all contributions receivable to be collectible, therefore no allowance for doubtful accounts has been set up as of December 31, 2015.

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.

Reclassifications

To facilitate comparison of financial data, certain amounts in the prior year financial statements have been reclassified to conform to the current year reporting presentation.

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 has certain key volunteers that donate significant amounts of time to the family and research support programs. However, no additional in-kind contribution revenue or program expenses are recognized for the work done by these volunteers since it does not meet the described criteria.

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

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

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 and unrealized gains and losses are included in revenues in the Statement of Activities.

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.

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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash, contributions receivable and investments. The Organization's management attempts to prudently manage cash and cash equivalents and monitors outstanding contributions receivable. Deposit accounts at each commercial financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2015 and 2014, there were \$449,917 and \$371,802 in deposits that were uninsured, respectively.

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

NOTE 2 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements* ("ASC 820") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Level 1 measurements: The fair values of cash and cash equivalents, common stock, and mutual funds are based on quoted market prices for those or similar investments.

Level 2 measurements: The fair value of fixed income securities are priced using evaluations which may be matrix or model based and do not necessarily reflect actual trades.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's financial assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

<u>Assets at fair value as of December 31, 2015</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents				
Checking account	\$ 306,010	\$ -	\$ -	\$ 306,010
Money market account	396,383	-	-	396,383
PayPal account	12,480	-	-	12,480
	<u>714,873</u>	<u>-</u>	<u>-</u>	<u>714,873</u>
Available-for-sale securities:				
Endowment fund (1)	28,088	2,917	697	31,702
	<u>\$ 742,961</u>	<u>\$ 2,917</u>	<u>\$ 697</u>	<u>\$ 746,575</u>

<u>Assets at fair value as of December 31, 2014</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents				
Checking account	\$ 166,833	\$ -	\$ -	\$ 166,833
Money market account	446,110	-	-	446,110
PayPal account	8,859	-	-	8,859
	<u>621,802</u>	<u>-</u>	<u>-</u>	<u>621,802</u>
Available-for-sale securities:				
Endowment fund (1)	30,059	2,938	1,161	34,158
	<u>\$ 651,861</u>	<u>\$ 2,938</u>	<u>\$ 1,161</u>	<u>\$ 655,960</u>

(1) During 2007, the Organization set up an Endowment fund with a local Community Foundation. This Community Foundation invests all funds together and distributes income, gains and losses proportionally. For the years ending December 31, 2015 and 2014, the Foundation considers 88.6% and 88.0% to be invested in Level 1, 9.2% and 8.6% to be invested in Level 2 and 2.2% and 3.4% to be invested in Level 3, respectively.

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

NOTE 3 - INVESTMENTS

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%. Investments consist of unrestricted net assets and are recorded at fair value.

An analysis of the composition, cost and market values of investments at December 31, 2015 and 2014 are as follows:

<u>December 31, 2015</u>	Fair Value	Cost	Net
			Gain/(Loss)
Endowment fund	\$ 31,702	\$ 25,000	\$ 6,702

<u>December 31, 2014</u>	Fair Value	Cost	Net
			Gain/(Loss)
Endowment fund	\$ 34,158	\$ 25,000	\$ 9,158

During the years ended December 31, 2015 and 2014, the Organization had net realized gains/(losses) of (\$1,170) and \$574, respectively.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporary restrictions on net assets as of December 31, 2015 and 2014 consisted of the following:

<u>December 31, 2015</u>	
2016 Conference scholarships	\$ 10,850
2016 Conference lodging	3,732
Video Production	7,500
	<u>\$ 22,082</u>

<u>December 31, 2014</u>	
2016 Conference scholarships	<u>\$ 850</u>

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

NOTE 5 - LEASES

In March 2015, the Organization signed a lease agreement for office space in Venice, Florida. Terms of the agreement include monthly payments in the amount of \$950 beginning in March 2015 and ending in February 2016. Either party may terminate the lease for any reason on 30 days prior written notice at any time after March 1, 2015. The lease expired in February 2016, since then the Organization is on a month to month lease for this space.

Rent expense totaled \$11,400 for the years ended December 31, 2015 and 2014.

NOTE 6 - GRANTS PAYABLE

In 2014, the Organization committed \$140,000 in grant assistance to several clinical research sites in New York, California, Texas, Massachusetts, and Illinois. These commitments were made in response to the October 2014 announcement of broader federal funding supporting clinical research of Phelan-McDermid Syndrome under the Rare Disease Clinical Research Network Initiative (RDCRN). These commitments were disbursed in 2015.

In 2015, the Organization committed \$96,222 in grant assistance to these same clinical research sites to fund a pilot study for the purpose of identifying electrophysiological biomarkers in PMS. The goals of the project are to better understand underlying neural function in PMS and in the long run, find biomarkers responsive to treatment. \$21,623 of this commitment was disbursed in December 2015. The remaining amount of \$74,598 was disbursed in March 2016 and is the balance of grants payable at December 31, 2015.

NOTE 7 - 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 \$1,626 and \$1,443 for the years ended December 31, 2015 and 2014, respectively.

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

2016	\$ 1,354
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PHELAN-MCDERMID SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015 and 2014

(See Independent Auditor's Report)

NOTE 8 - PCORI CONTRACT

In March 2014, the Organization was awarded an eighteen month cost-reimbursement contract from the Patient-Centered Outcomes Research Institute ("PCORI") for an amount not to exceed \$957,328. During 2015 and 2014, total reimbursed costs (program revenue earned) from this contract totaled \$573,685 and \$375,328 respectively. The purpose of this contract is to collect and integrate all available patient data from patients with Phelan-McDermid Syndrome and make it available to researchers in a meaningful way. The contract will also help to develop and expand the Foundation's international health data registry that will become part of PCORnet: The National Patient-Centered Clinical Research Network.

In October 2015, the Organization was awarded an additional \$1,640,791 in funding for this project, extending the contract to September 30, 2018. Total program revenue earned in 2015 under this extension/amendment ("Phase II") was \$108,381.

NOTE 9 - CONCENTRATIONS

The Organization received approximately 60% and 42% of its revenue from the PCORI contract during the year ended December 31, 2015 and 2014 respectively. This contract enabled the Organization to expand the collection and the integration of available patient data from patients with Phelan-McDermid Syndrome making it available for further research.

NOTE 10 - 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, 2015 the Organization's federal information returns (forms 990) filed for 2012, 2013 and 2014 remain open for examination by the Internal Revenue Service.

NOTE 11 - 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, 2015 through May 12, 2016 (the date of financial statement issuance) for potential recognition and disclosure. Management has determined that there are no subsequent events that require disclosure.

SUPPLEMENTARY INFORMATION

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015

(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries, wages and payroll taxes	\$ 17,328	\$ 50,358	\$ 6,043	\$ 73,729
Advertising and promotion	5,725	-	605	6,330
Depreciation	-	1,806	-	1,806
Insurance	-	6,824	-	6,824
Interest	-	270	-	270
Conventions / conferences / meetings				
Other conferences and meetings	5,426	25	-	5,451
Miscellaneous	545	658	23	1,226
Occupancy	368	12,191	676	13,235
Office expenses	523	13,420	3,550	17,493
Fees to institutions	437,159	-	-	437,159
Professional fees	136,122	8,400	6,800	151,322
Lobbying	-	30,000	-	30,000
Grants	96,222	-	-	96,222
Accounting	-	11,338	-	11,338
IT support and website				
including PMSIR registry	45,692	8,452	987	55,131
Travel - lodging	4,974	3,656	-	8,630
Travel - meals	1,590	1,428	376	3,394
Travel - transportation	14,068	3,724	-	17,792
Total Expenses	<u>\$ 765,742</u>	<u>\$ 152,550</u>	<u>\$ 19,060</u>	<u>\$ 937,352</u>

PHELAN-MCDERMID SYNDROME FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2014

(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries, wages and payroll taxes	\$ 58,316	\$ 72,154	\$ 15,406	\$ 145,876
Advertising and promotion	15,982	-	3,800	19,782
Depreciation	-	1,806	-	1,806
Insurance	383	6,916	-	7,299
Interest	-	452	-	452
Conventions / conferences / meetings				
Family support conference	65,284	-	-	65,284
Scientific symposium	45,983	-	-	45,983
Other conferences and meetings	1,153	199	-	1,352
Miscellaneous	1,020	1,173	150	2,343
Occupancy	5,188	7,213	1,675	14,076
Office expenses	2,315	17,460	1,537	21,312
Fees to institutions	202,693	-	-	202,693
Professional fees	100,286	6,023	-	106,309
Grants	150,525	-	-	150,525
Accounting	-	1,410	-	1,410
IT support and website				
including PMSIR registry	43,459	5,988	1,100	50,547
Travel - lodging	11,549	258	-	11,807
Travel - meals	4,110	733	437	5,280
Travel - transportation	13,020	-	-	13,020
Total Expenses	<u>\$ 721,266</u>	<u>\$ 121,785</u>	<u>\$ 24,105</u>	<u>\$ 867,156</u>