

Phelan-McDermid Syndrome Foundation, Inc.

Independent Auditor's Report,
Financial Statements

For the years ended December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Phelan-McDermid Syndrome Foundation, Inc. as of December 31, 2022 and 2021, 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.

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 Phelan-McDermid Syndrome Foundation, 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 these 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 Phelan-McDermid Syndrome Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 Phelan-McDermid Syndrome Foundation, 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 Phelan-McDermid Syndrome Foundation, 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.


Peacock, Ellison & French, CPAs, P.A.
Venice, Florida
February 10, 2023

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	WITHOUT RESTRICTION	WITH DONOR RESTRICTION	TOTALS
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,550,551	\$ -	\$ 1,550,551
Investments (Note E)	559,432	-	559,432
Prepaid insurance	3,937	-	3,937
Total Current Assets	2,113,920	-	2,113,920
NON-CURRENT ASSETS			
Equipment, net of \$13,017 accumulated depreciation	-	-	-
Total Non-current Assets	-	-	-
TOTAL ASSETS	\$ 2,113,920	\$ -	\$ 2,113,920
 CURRENT LIABILITIES			
Accounts payable	\$ 30,206	\$ -	\$ 30,206
Accrued payroll and related taxes	18,640	-	18,640
Deferred revenue	10,634	-	10,634
Total Current Liabilities	59,480	-	59,480
TOTAL LIABILITIES	59,480	-	59,480
 NET ASSETS			
Without Donor Restriction (Note H)			
Board designated operating reserve	329,400	-	329,400
Undesignated	1,725,040	-	1,725,040
Total Without Restriction	2,054,440	-	2,054,440
With Donor Restriction (Note H)	-	-	-
TOTAL NET ASSETS	2,054,440	-	2,054,440
TOTAL LIABILITIES AND NET ASSETS	\$ 2,113,920	\$ -	\$ 2,113,920

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

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2021

	WITHOUT RESTRICTION	WITH DONOR RESTRICTION	TOTALS
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,351,843	\$ 1,005	\$ 1,352,848
Investments (Note E)	574,500	-	574,500
Contract billings receivable	10,000	-	10,000
Prepaid insurance	3,036	-	3,036
Total Current Assets	<u>1,939,379</u>	<u>1,005</u>	<u>1,940,384</u>
NON-CURRENT ASSETS			
Equipment, net of \$13,017 accumulated depreciation	-	-	-
Total Non-current Assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,939,379</u></u>	<u><u>\$ 1,005</u></u>	<u><u>\$ 1,940,384</u></u>
CURRENT LIABILITIES			
Accounts payable	\$ 5,192	\$ -	\$ 5,192
Accrued liabilities	4,306	-	4,306
Accrued payroll and related taxes	14,831	-	14,831
Total Current Liabilities	<u>24,329</u>	<u>-</u>	<u>24,329</u>
TOTAL LIABILITIES	<u>24,329</u>	<u>-</u>	<u>24,329</u>
NET ASSETS			
Without Donor Restriction (Note H)			
Board designated operating reserve	261,400	-	261,400
Undesignated	1,653,650	-	1,653,650
Total Without Restriction	<u>1,915,050</u>	<u>-</u>	<u>1,915,050</u>
With Donor Restriction (Note H)	<u>-</u>	<u>1,005</u>	<u>1,005</u>
TOTAL NET ASSETS	<u>1,915,050</u>	<u>1,005</u>	<u>1,916,055</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,939,379</u></u>	<u><u>\$ 1,005</u></u>	<u><u>\$ 1,940,384</u></u>

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

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	WITHOUT RESTRICTION	WITH DONOR RESTRICTION	TOTALS
SUPPORT AND REVENUES			
General Contributions:			
Individuals	\$ 255,583	\$ -	\$ 255,583
Businesses and organizations	470,999	-	470,999
Government grants	17,610	-	17,610
Total public support	<u>744,192</u>	<u>-</u>	<u>744,192</u>
Special Events:			
Other event revenue	86,222	-	86,222
Total Special Events	<u>86,222</u>	<u>-</u>	<u>86,222</u>
Other Revenue:			
Program fee income	34,375	-	34,375
Investment income (loss)	(8,775)	-	(8,775)
Store sales	240	-	240
Total Other Revenue	<u>25,840</u>	<u>-</u>	<u>25,840</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,005</u>	<u>(1,005)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>857,259</u>	<u>(1,005)</u>	<u>856,254</u>
OPERATING EXPENSES			
Program services	439,807	-	439,807
Management and general	138,150	-	138,150
Fundraising	139,912	-	139,912
TOTAL EXPENSES	717,869	-	717,869
CHANGE IN NET ASSETS	139,390	(1,005)	138,385
NET ASSETS AT BEGINNING OF YEAR	<u>1,915,050</u>	<u>1,005</u>	<u>1,916,055</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,054,440</u>	<u>\$ -</u>	<u>\$ 2,054,440</u>

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

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	WITHOUT RESTRICTION	WITH DONOR RESTRICTION	TOTALS
SUPPORT AND REVENUES			
General Contributions:			
Individuals	\$ 231,237	\$ -	\$ 231,237
Businesses and organizations	383,369	-	383,369
PPP loans forgiven (Note C)	144,375	-	144,375
Total public support	<u>758,981</u>	<u>-</u>	<u>758,981</u>
Special Events:			
Other event revenue	88,305	-	88,305
Total Special Events	<u>88,305</u>	<u>-</u>	<u>88,305</u>
Other Revenue:			
Contractual income	50,000	-	50,000
Investment income	123	-	123
Store sales	947	-	947
Total Other Revenue	<u>51,070</u>	<u>-</u>	<u>51,070</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	19,664	(19,664)	-
TOTAL SUPPORT AND REVENUES	<u>918,020</u>	<u>(19,664)</u>	<u>898,356</u>
OPERATING EXPENSES			
Program services	254,084	-	254,084
Management and general	145,500	-	145,500
Fundraising	99,194	-	99,194
TOTAL EXPENSES	498,778	-	498,778
CHANGE IN NET ASSETS	419,242	(19,664)	399,578
NET ASSETS AT BEGINNING OF YEAR	<u>1,495,808</u>	<u>20,669</u>	<u>1,516,477</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,915,050</u>	<u>\$ 1,005</u>	<u>\$ 1,916,055</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, 2022

	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
PAYROLL COST				
Salaries and wages	\$ 232,204	\$ 83,992	\$ 89,330	\$ 405,526
Payroll taxes	18,551	6,375	6,844	31,770
Employee benefits	6,201	3,220	1,724	11,145
Sub-total Payroll Cost	<u>256,956</u>	<u>93,587</u>	<u>97,898</u>	<u>448,441</u>
OTHER EXPENSES				
Grants & fees to institutions	22,400	-	-	22,400
Professional fees	29,876	14,351	10,428	54,655
Advertising	3,725	-	4,452	8,177
Office expense	4,507	9,890	10,935	25,332
IT support & website including PMS Datahub	29,595	8,086	15,375	53,056
Occupancy	-	6,900	-	6,900
Travel - lodging	8,890	-	-	8,890
Travel - meals	3,335	59	-	3,394
Travel - transportation	24,408	-	-	24,408
Conventions/conferences/meetings	55,378	-	489	55,867
Insurance	187	5,207	-	5,394
Miscellaneous	550	70	335	955
TOTAL FUNCTIONAL EXPENSES	<u>\$ 439,807</u>	<u>\$ 138,150</u>	<u>\$ 139,912</u>	<u>\$ 717,869</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, 2021

	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
PAYROLL COST				
Salaries and wages	\$ 169,632	\$ 84,601	\$ 75,207	\$ 329,440
Employee benefits	3,208	2,507	1,612	7,327
Payroll taxes	14,002	6,501	5,683	26,186
Sub-total Payroll Cost	<u>186,842</u>	<u>93,609</u>	<u>82,502</u>	<u>362,953</u>
OTHER EXPENSES				
Program grants	11,689	-	-	11,689
Professional fees	8,630	14,341	1,850	24,821
Advertising	2,223	-	2,170	4,393
Office expense	520	8,271	8,229	17,020
IT support & website including PMS Datahub	28,786	6,962	3,108	38,856
Occupancy	-	6,900	-	6,900
Travel - lodging	6,424	-	-	6,424
Travel - meals	958	60	-	1,018
Travel - transportation	7,823	-	-	7,823
Conventions/conferences/meetings	90	10,000	1,000	11,090
Depreciation	-	299	-	299
Insurance	-	4,776	-	4,776
Miscellaneous	99	282	335	716
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 254,084</u></u>	<u><u>\$ 145,500</u></u>	<u><u>\$ 99,194</u></u>	<u><u>\$ 498,778</u></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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ 138,385
Adjustments to reconcile net income to cash provided (used) by operations:	
Contract billings receivable	10,000
Prepaid insurance	(901)
Accounts payable	25,014
Accrued liabilities	(4,306)
Accrued payroll and related taxes	3,809
Deferred revenue	10,634
Net Cash Provided From Operating Activities	182,635
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	15,068
Net Cash Provided By Investing Activities	15,068
NET INCREASE IN CASH	197,703
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,352,848
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,550,551
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest Paid	\$ -

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ 399,578
Adjustments to reconcile net income to cash provided (used) by operations:	
Depreciation	299
Contract billings receivable	(10,000)
Contributions receivable	13,552
Prepaid insurance	926
Deposits	25,000
Accounts payable	4,492
Accrued liabilities	4,306
Accrued payroll and related taxes	4,538
Deferred revenue	(40,000)
PPP loan	(72,200)
Net Cash Provided From Operating Activities	330,491
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	2,942
Net Cash Provided By Investing Activities	2,942
NET INCREASE IN CASH	333,433
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	\$ 1,019,415
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,352,848
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest Paid	\$ -

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

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE A – NATURE OF 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 Osprey, 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. 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 Phelan-McDermid Syndrome. The Organization facilitates connections among families through its website, monthly newsletter, regional gatherings and conferences, 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

In accordance with U.S. generally accepted accounting principles (ASU 2016-14) the Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net Assets With Donor Restriction: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that at times may exceed federally insured limits of \$250,000. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. At December 31, 2022 and 2021, there were \$1,277,771 and \$1,067,790, respectively in deposits that were uninsured.

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PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Contributions Receivable

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of December 31, 2022, and 2021, the Organization had no promises to give. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When a restriction expires (either using the donation for the approved purpose or by the passage of time), the contribution amount is released from net assets with donor restrictions to net assets without restriction.

Equipment

Equipment is stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Deferred Revenue

Deferred revenue consists of amounts received by the Organization for which the performance criteria identified in the contract has not been substantially met.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind Donations

The Organization's policy is to record in-kind donations at their estimated fair value determined on the date of contribution and report them as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses. Estimated fair value is based upon information provided by third-party service providers. No in-kind donations were recognized in 2022 or 2021.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to both program and supporting functions of the Organization. Those expenses include salaries, wages, payroll taxes, depreciation, insurance, occupancy, IT support and website costs. Salaries, wages, payroll taxes, insurance, IT support and website costs are allocated based upon estimates of time and effort. Depreciation and occupancy are allocated based upon square footage. Such allocations are determined by management on an equitable basis.

These allocated costs, along with other expenses that clearly only benefit program functions or only benefit supporting activities, have been summarized on a functional basis in the statement of functional expenses.

Use of 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 in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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, 2022 the Organization's federal information returns (Forms 990) filed for 2021, 2020 and 2019 remain open for examination by the Internal Revenue Service.

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PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">• 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 |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires organizations to recognize assets and liabilities on the balance sheet for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the consolidated financial statements. The standard is effective for the Organization's reporting period ending December 31, 2022. As of December 31, 2022, the Organization did not have any lease with a term that exceeded twelve months.

NOTE C – PPP LOAN 2021

On April 28, 2020, and March 23, 2021, the Organization received loan proceeds in the amount of \$72,200 and \$72,175 respectively under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which provides for loans to qualifying businesses. The loans and accrued interest were forgivable if the borrower used the loan proceeds for eligible purposes and maintained its payroll levels. The amount of the loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the qualifying period.

As of December 31, 2021 all amounts were forgiven and are presented as Government grant contributions in the accompanying financial statements.

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PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE D – FAIR VALUE MEASUREMENT

The following table sets forth the level, within the fair value hierarchy, of the Organizations financial asset values (see definitions in Note B above):

Assets at Fair Value as of December 31, 2022				
	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Charles Schwab (See Note E)	\$ 559,432	\$ 559,432	-	-
Total assets at fair value	\$ 559,432	\$ 559,432	-	-

Assets at Fair Value as of December 31, 2021				
	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Charles Schwab (See Note E)	\$ 574,500	\$ 574,500	-	-
Total assets at fair value	\$ 574,500	\$ 574,500	-	-

NOTE E – INVESTMENTS

An analysis of the composition, cost, and market values of investments at December 31, 2022 were as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net Gain/(Loss)</u>
Charles Schwab	\$ 559,432	\$ 580,086	\$ (20,654)

During the year ended December 31, 2022, the Organization had net investment income (loss) comprised as follows:

Interest and dividends	\$ 6,332
Realized investment gain(loss)	89
Unrealized investment gain(loss)	(15,196)
Total net investment income(loss)	\$ (8,775)

An analysis of the composition, cost, and market values of investments at December 31, 2021 were as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net Gain/(Loss)</u>
Charles Schwab	\$ 574,500	\$ 579,959	\$ (5,459)

During the year ended December 31, 2022, the Organization had net investment income (loss) comprised as follows:

Interest and dividends	\$ 3,181
Realized investment gain(loss)	1,137
Unrealized investment gain(loss)	(4,195)
Total net investment income	\$ 123

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NOTE F – LEASES

In August 2022, the Organization renewed its lease agreement for office space in Osprey, FL. The lease started on September 1, 2022 and ends August 31, 2023, annual rent of \$6,900 is payable in two semi-annual payments of \$3,450 (September and March). The lease offers a six-month renewal.

Rent expense totaled \$6,900 for both years ended December 31, 2022 and 2021.

NOTE G – LIQUIDITY AND AVAILABILITY

The following table represents the Organization's financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions or internal board designations:

At December 31, 2022:

Cash and cash equivalents	\$ 1,550,551
Investments	559,432
Contract billing and contributions receivable	-
Total financial assets	2,109,983
Cash with Donor Restrictions	(-)
Board-designated operating reserve fund	(329,400)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,780,583

At December 31, 2021:

Cash and cash equivalents	\$ 1,352,848
Investments	574,500
Contract billing and contributions receivable	10,000
Total financial assets	1,937,348
Cash with Donor Restrictions	(1,005)
Board-designated operating reserve fund	(261,400)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,674,973

The Organization receives contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that any long-term obligations will be discharged. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves were managed within the policy requirements.

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NOTE H – CLASSIFICATION AND RESTRICTIONS OF NET ASSETS

Net assets of the Organization are classified based on the presence or absence of donor-imposed requirements. Net assets are grouped as either Net Assets With Donor Restrictions or Net Assets Without Donor Restrictions.

Net Assets With Donor Restrictions as of December 31, 2022 consisted of the following:

Purpose Restricted	-
Time Restricted	-
Total Net Assets With Donor Restrictions	\$ -

Net Assets Without Donor Restrictions as of December 31, 2022 consisted of the following:

Board Designated Operating Reserve	\$ 329,400
Undesignated	1,724,035
Total Net Assets Without Donor Restrictions	\$ 2,053,435

Net Assets With Donor Restrictions as of December 31, 2021 consisted of the following:

Purpose Restricted:	
Searchable video platform of PMS characteristics (PIVT project)	\$ 1,005
Total Purpose Restricted	1,005
Time Restricted	-
Total Net Assets With Donor Restrictions	\$ 1,005

Net Assets Without Donor Restrictions as of December 31, 2021 consisted of the following:

Board Designated Operating Reserve	\$ 261,400
Undesignated	1,653,650
Total Net Assets Without Donor Restrictions	\$ 1,915,050

NOTE I – PCORI CONTRACTS REVENUE 2021

In late 2019, the Organization was awarded a limited scope contract of \$50,000 to fund a project related to improving the genetic counseling experience of individuals diagnosed with Phelan-McDermid Syndrome and their families/caregivers. This project was completed in October 2021, and the full amount of the contract was recognized as revenue at that time.

NOTE J – SUBSEQUENT EVENT REVIEW

The Organization has evaluated events through February 10, 2023, which is the date the financial statements were available for issue. The Organization is not aware of any material subsequent events.