

Phelan-McDermid Syndrome Foundation, Inc.

Independent Auditor's Report,
Financial Statements

For the years ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S 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, 2023 and 2022, 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, 2023 and 2022, 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.

Peacock, Ellison & French, CPAs, P.A.
Venice, Florida
February 1, 2024

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	WITHOUT RESTRICTION	WITH DONOR RESTRICTION	TOTALS
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,609,103	\$ 1,324	\$ 1,610,427
Investments (Note D)	567,878	-	567,878
Contributions receivable	5,520	-	5,520
Prepaid expenses	7,819	-	7,819
Deposits	51,365	-	51,365
Total Current Assets	<u>2,241,685</u>	<u>1,324</u>	<u>2,243,009</u>
NON-CURRENT ASSETS			
Equipment, net of \$13,017 accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-current Assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,241,685</u></u>	<u><u>\$ 1,324</u></u>	<u><u>\$ 2,243,009</u></u>
CURRENT LIABILITIES			
Accounts payable	\$ 40,401	\$ -	\$ 40,401
Accrued payroll and related taxes	20,219	-	20,219
Grants payable	155,000	-	155,000
Deferred revenue	561	-	561
Total Current Liabilities	<u>216,181</u>	<u>-</u>	<u>216,181</u>
TOTAL LIABILITIES	<u>216,181</u>	<u>-</u>	<u>216,181</u>
NET ASSETS			
Without Donor Restriction (Note G)			
Board designated operating reserve	347,100	-	347,100
Undesignated	1,678,404	-	1,678,404
Total Without Restriction	<u>2,025,504</u>	<u>-</u>	<u>2,025,504</u>
With Donor Restriction (Note G)	-	1,324	1,324
TOTAL NET ASSETS	<u><u>2,025,504</u></u>	<u><u>1,324</u></u>	<u><u>2,026,828</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,241,685</u></u>	<u><u>\$ 1,324</u></u>	<u><u>\$ 2,243,009</u></u>

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

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 D)	559,432	-	559,432
Prepaid expenses	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 G)			
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 G)			
TOTAL NET ASSETS	-	-	-
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 ACTIVITES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>WITHOUT RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>TOTALS</u>
SUPPORT AND REVENUES			
General Contributions:			
Individuals	\$ 406,289	\$ 1,324	\$ 407,613
Businesses and organizations	422,711	-	422,711
Government Grants	4,590	-	\$ 4,590
Total public support	<u>833,590</u>	<u>1,324</u>	<u>834,914</u>
Special Events:			
Other event revenue	108,183	-	108,183
Total Special Events	<u>108,183</u>	<u>-</u>	<u>108,183</u>
Other Revenue:			
Program fee income	110,073	-	110,073
Investment income	22,541	-	22,541
Total Other Revenue	<u>132,614</u>	<u>-</u>	<u>132,614</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,074,387</u>	<u>1,324</u>	<u>1,075,711</u>
OPERATING EXPENSES			
Program services	807,593	-	807,593
Management and general	165,096	-	165,096
Fundraising	130,634	-	130,634
TOTAL EXPENSES	<u>1,103,323</u>	<u>-</u>	<u>1,103,323</u>
CHANGE IN NET ASSETS	(28,936)	1,324	(27,612)
NET ASSETS AT BEGINNING OF YEAR	<u>2,054,440</u>	<u>-</u>	<u>2,054,440</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,025,504</u>	<u>\$ 1,324</u>	<u>\$ 2,026,828</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, 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	<u>717,869</u>	<u>-</u>	<u>717,869</u>
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 FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023

	PROGRAM	MANAGEMENT & GENERAL	FUNDRAISING	TOTALS
PAYROLL COST				
Salaries and wages	\$ 293,244	\$ 100,883	\$ 81,805	\$ 475,932
Employee benefits	6,617	3,776	1,495	11,888
Payroll taxes	24,154	7,754	6,275	38,183
Sub-total Payroll Cost	<u>324,015</u>	<u>112,413</u>	<u>89,575</u>	<u>526,003</u>
OTHER EXPENSES				
Grants & fees to institutions	222,500	-	-	222,500
Professional fees	66,001	12,335	8,467	86,803
Advertising	1,321	-	4,526	5,847
Office expense	3,717	8,082	17,924	29,723
IT support & website including PMS Datahub	34,387	6,914	9,307	50,608
Occupancy	-	7,500	-	7,500
Travel:				
Employees and key volunteers	7,495	9,013	293	16,801
Natural history study & clinical trial participants	143,118	-	-	143,118
Conventions/conferences/meetings	4,539	1,615	182	6,336
Insurance	-	6,584	-	6,584
Miscellaneous	500	640	360	1,500
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 807,593</u></u>	<u><u>\$ 165,096</u></u>	<u><u>\$ 130,634</u></u>	<u><u>\$ 1,103,323</u></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:				
Employees and key volunteers	3,871	59	-	3,930
Natural history study & clinical trial participants	32,762	-	-	32,762
Conventions/conferences/meetings	55,378	-	489	55,867
Insurance	187	5,207	-	5,394
Miscellaneous	550	70	335	955
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 439,807</u></u>	<u><u>\$ 138,150</u></u>	<u><u>\$ 139,912</u></u>	<u><u>\$ 717,869</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase (decrease) in net assets	\$ (27,612)
Adjustments to reconcile net income to cash provided (used) by operations:	
Contributions receivable	(5,520)
Prepaid expenses	(3,882)
Deposits	(51,365)
Accounts payable	10,195
Grants payable	155,000
Accrued payroll and related taxes	1,579
Deferred revenue	<u>(10,073)</u>
Net Cash Provided From Operating Activities	68,322
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	<u>(8,446)</u>
Net Cash Used In Investing Activities	<u>(8,446)</u>
NET INCREASE IN CASH	59,876
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>\$ 1,550,551</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,610,427</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 expenses	(901)
Accounts payable	25,014
Accrued liabilities	(4,306)
Accrued payroll and related taxes	3,809
Deferred revenue	10,634
	<hr/>
Net Cash Provided From Operating Activities	182,635
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	15,068
	<hr/>
Net Cash Provided By Investing Activities	15,068
	<hr/>
NET INCREASE IN CASH	197,703
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,352,848
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,550,551</u>

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

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

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 make today better and the future brighter for everyone living with Phelan-McDermid Syndrome – from the moment of diagnosis to the delivery of treatments and cures. 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, 2023 and 2022 respectively, there were \$ 1,360,427 and \$1,277,771 in uninsured deposits.

See Independent Auditor's Report

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022

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 2023 or 2022.

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, 2023, the Organization's federal information returns (Forms 990) filed for 2022, 2021, and 2020 remain open for examination by the Internal Revenue Service.

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

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, 2023 and 2022 respectively, the Organization did not have any lease with a term that exceeded twelve months.

PHELAN-McDERMID SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

NOTE C – 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, 2023				
	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Charles Schwab (See Note D)	\$ 567,878	\$ 567,878	-	-
Total assets at fair value	\$ 567,878	\$ 567,878	-	-

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

NOTE D – INVESTMENTS

An analysis of the composition, cost, and market values of investments at December 31, 2023, were as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net Gain/(Loss)</u>
Charles Schwab	\$ 567,878	\$ 580,086	\$ (12,208)

During the year ended December 31, 2023, the Organization had net investment income (loss) comprised as follows:

Interest and dividends	\$ 14,095
Realized investment gain(loss)	-
Unrealized investment gain(loss)	<u>8,446</u>
Total net investment income	<u>\$ 22,541</u>

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)	<u>(15,196)</u>
Total net investment income(loss)	<u>\$ (8,775)</u>

See Independent Auditor's Report

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NOTE E – LEASES

In August 2022, the Organization renewed its lease agreement for office space in Osprey, FL. The lease started on September 1, 2023, and ends August 31, 2024, annual rent of \$8,100 is payable in two semi-annual payments of \$4,050 (September and March). The lease offers a six-month renewal.

Rent expense totaled \$7,500 and \$6,900 respectively for the years ended December 31, 2023 and 2022.

NOTE F – 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, 2023:

Cash and cash equivalents	\$ 1,610,427
Investments	567,878
Contract billing and contributions receivable	<u>5,520</u>
Total financial assets	2,183,825
Cash with Donor Restrictions	(1,324)
Board-designated operating reserve fund	<u>(347,100)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,835,401

At December 31, 2022:

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

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, 2023 and 2022, the level of liquidity and reserves were managed within the policy requirements.

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NOTE G – 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, 2023, consisted of the following:

Purpose Restricted:	
Conference Scholarship	\$ 1,000
Global Genes grant to fund mental health program	<u>324</u>
Total Purpose Restricted	<u>1,324</u>
Time Restricted	<u>-</u>
Total Net Assets With Donor Restrictions	\$ 1,324

Net Assets Without Donor Restrictions as of December 31, 2023, consisted of the following:

Board Designated Operating Reserve	\$ 347,100
Undesignated	<u>1,678,404</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,025,504</u>

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

Restrictions as of December 31, 2022, consisted of the following:

Purpose Restricted	<u>-</u>
Time Restricted	<u>-</u>
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	<u>1,724,035</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,053,435</u>

NOTE H – SUBSEQUENT EVENT REVIEW

The Organization has evaluated events through February 1, 2024, which is the date the financial statements were available for issue. The Organization is not aware of any material subsequent events.