

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
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DECEMBER 31, 2012

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To the Officers and Directors
Foundation for Angelman Syndrome Therapeutics
Downers Grove, IL

INDEPENDENT ACCOUNTANT'S AUDIT REPORT

We have audited the Statements of Financial Position of the Foundation for Angelman Syndrome Therapeutics (a California non-profit organization) as of December 31, 2012 and 2011 and the related Statements of Activity for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Foundation for Angelman Syndrome Therapeutics as of December 31, 2012 and 2011, and its revenues and expenses and other changes in net assets for the years then ended on the basis of accounting described in Note 1.

Hegre, McMahon & Schimmel, LLC

Oak Brook, Illinois

November 13, 2013

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Operating assets				
Cash and cash equivalents	\$ 284,711	\$ 25,045	\$ -	\$ 309,756
Investments	864,983	-	-	864,983
TOTAL ASSETS	<u>\$ 1,149,694</u>	<u>\$ 25,045</u>	<u>\$ -</u>	<u>\$ 1,174,739</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Grants Payable	\$ 7,500	\$ -	\$ -	\$ 7,500
Net Assets	<u>1,142,194</u>	<u>25,045</u>	<u>-</u>	<u>1,167,239</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,149,694</u>	<u>\$ 25,045</u>	<u>\$ -</u>	<u>\$ 1,174,739</u>

See Independent Accountant's Review Report and Notes to the Financial Statements.

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Operating assets				
Cash and cash equivalents	\$ 399,740	\$ 11,663	\$ -	\$ 411,403
Investments	<u>299,994</u>	<u>-</u>	<u>-</u>	<u>299,994</u>
TOTAL ASSETS	<u>\$ 699,734</u>	<u>\$ 11,663</u>	<u>\$ -</u>	<u>\$ 711,397</u>
 LIABILITIES AND NET ASSETS				
Liabilities				
Grants Payable	\$ 107,610	\$ -	\$ -	\$ 107,610
 Net Assets	<u>592,124</u>	<u>11,663</u>	<u>-</u>	<u>603,787</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 699,734</u>	<u>\$ 11,663</u>	<u>\$ -</u>	<u>\$ 711,397</u>

See Independent Accountant's Review Report and Notes to the Financial Statements.

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
General donations	\$ 752,984	\$ 30,826	\$ -	\$ 783,810
Event revenues and donations	170,963	-	-	170,963
Investment income	279	-	-	279
	<u>924,226</u>	<u>30,826</u>	<u>-</u>	<u>955,052</u>
Net assets released from restriction	-	-	-	-
	<u>924,226</u>	<u>30,826</u>	<u>-</u>	<u>955,052</u>
COSTS AND EXPENSES				
Program expenses	312,440	-	-	312,440
Fundraising expenses	44,240	-	-	44,240
General administrative expenses	17,476	17,444	-	34,920
	<u>374,156</u>	<u>17,444</u>	<u>-</u>	<u>391,600</u>
Increase in net assets	550,070	13,382	-	563,452
NET ASSETS, beginning of year	<u>592,124</u>	<u>11,663</u>	<u>-</u>	<u>603,787</u>
NET ASSETS, end of year	<u>\$ 1,142,194</u>	<u>\$ 25,045</u>	<u>\$ -</u>	<u>\$ 1,167,239</u>

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
General donations	\$ 468,217	\$ 10,542	\$ -	\$ 478,759
Event revenues and donations	160,020	-	-	160,020
Investment income	746	-	-	746
	<u>628,983</u>	<u>10,542</u>	<u>-</u>	<u>639,525</u>
Net assets released from restriction	-	-	-	-
	<u>628,983</u>	<u>10,542</u>	<u>-</u>	<u>639,525</u>
COSTS AND EXPENSES				
Program expenses	166,671	-	-	166,671
Fundraising expenses	34,108	-	-	34,108
General administrative expenses	6,621	-	-	6,621
	<u>207,400</u>	<u>-</u>	<u>-</u>	<u>207,400</u>
Increase in net assets	421,583	10,542	-	432,125
NET ASSETS, beginning of year	<u>170,541</u>	<u>1,121</u>	<u>-</u>	<u>171,662</u>
NET ASSETS, end of year	<u>\$ 592,124</u>	<u>\$ 11,663</u>	<u>\$ -</u>	<u>\$ 603,787</u>

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows provided by operating activities:		
Increase in net assets	\$ 563,452	\$ 432,125
Unrealized gain on investments not providing cash	67	6
Increase / (decrease) in operating liabilities:		
Grants payable	<u>(100,110)</u>	<u>3,610</u>
Net cash provided by operating activities	463,409	435,741
Cash flows used in investing activities		
Money market investments purchased, net of redemptions	(451,129)	(50,000)
Proceeds from sale of government obligations	2,835,000	300,000
Acquisition of government obligations	<u>(2,948,927)</u>	<u>(550,000)</u>
Net cash used in investing activities	<u>(565,056)</u>	<u>(300,000)</u>
Net increase / (decrease) in cash and cash equivalents	(101,647)	135,741
Cash and cash equivalents, beginning of year	<u>411,403</u>	<u>275,662</u>
Cash and cash equivalents, end of year	<u><u>\$ 309,756</u></u>	<u><u>\$ 411,403</u></u>

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Foundation for Angelman Syndrome Therapeutics ("Foundation") was incorporated under the laws of the state of California on August 19, 2008, as a not-for-profit corporation for educational and other purposes and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Over the years, the Foundation has endowed several medical grants and research programs targeted at finding treatments and a cure to the disease of Angelman Syndrome.

Financial Statement Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

Method of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities. Expenses are recognized when they occur.

Use of Accounting 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 of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual amounts could differ from those estimates. Any adjustments applied to estimated accounts are recognized in the year in which such adjustments are determined.

Cash Equivalents

For purposes of these financial statements, cash equivalents include amounts held in money market accounts at financial institutions. Amounts on deposit in these money market accounts may have exceeded the federally insured limit at various times during the year ended December 31, 2012 and 2011.

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Marketable equity securities and marketable debt securities are presented at fair market value.

Grants Payable

Grants authorized but unpaid at year end are reported as liabilities in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Grants to be paid in more than one year are discounted using the long term federal rate applicable on the date of the grant.

2. INVESTMENTS

Marketable investments are reported at the quoted market value of the securities. Investments are composed of the following as of December 31,:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Money Market Funds	\$ 500,983	\$ 500,983	\$ 50,004	\$ 50,004
Governmental Obligations	<u>363,996</u>	<u>364,000</u>	<u>249,997</u>	<u>249,990</u>
	864,979	<u>864,983</u>	300,001	<u>\$ 299,994</u>
Market Value Adjustment	<u>4</u>		<u>(7)</u>	
	<u>\$ 864,983</u>		<u>\$ 299,994</u>	

3. PROPERTY AND EQUIPMENT

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. As of the December 31, 2012, the Foundation has not capitalized any property and equipment. Any future capitalizations will be depreciated using the straight-line method over five years.

4. FEDERAL TAXES

The Foundation has been classified by the Internal Revenue Service as a not-for-profit corporation. As such, a Form 990, Return of Organization Exempt from Income Tax, is filed annually with no tax due. The federal tax expense and liability was \$0 for the years ended December 31, 2012 and 2011, respectively.

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

5. GRANTS PAYABLE

In May, 2011, the Foundation pledged a Post Doctorate RFA Grant of \$52,000 for a stipend, travel expenses and research costs payable over two years to the University of South Florida. The grant payable after 2011 is discounted to its present value at 4.19%. This present value discount is amortized over the remaining years as a charge to contribution expense. In November, 2012, the Foundation pledged an additional \$4,000 toward this grant. All amounts have been paid out as of the end of 2012.

In May, 2011, the Foundation pledged a Post Doctorate RFA Grant of \$52,000 for a stipend, travel expenses and research costs payable over two years to the University of North Carolina. The grant payable after 2011 is discounted to its present value at 4.19%. This present value discount is amortized over the remaining years as a charge to contribution expense. In November, 2012, the Foundation pledged an additional \$4,000 toward this grant. All amounts have been paid out as of the end of 2012.

The Post Doctorate RFA Grants for the University of South Florida and the University of North Carolina are combined for presentation purposes in the chart below as "RFA".

In February, 2011, the Foundation pledged a Genomic Profiling Grant ("Profiling") of \$10,000 for the purchase of tissue samples and their processing. The grant was due to be paid during the 2011 year, but there has been some difficulty in procuring the tissue samples. As a result, there is still a \$7,500 balance remaining as Grants Payable. This Grant had previously not been discounted to a present value amount because it was not anticipated that the grant would extend beyond one year. As of December 31, 2012, the balance remains outstanding. It is currently anticipated that this grant will be completed during the 2014 year. The discounting of this grant would be insignificant in nature and an estimation of the completion date, so no discounting has been done as of December 31, 2012.

The grants payable are accounted for as follows:

	<u>RFA</u>	<u>Profiling</u>
Grants authorized in 2011	\$ 104,000	\$ 10,000
Less: Grants paid in 2011	<u>(0)</u>	<u>(2,500)</u>
Remaining grants as of 12.31.2011	104,000	7,500
Less: Discount to present value	<u>(3,890)</u>	<u>(0)</u>
Grants payable as of 12.31.2011	<u>\$ 100,110</u>	<u>\$ 7,500</u>
Grants authorized in 2012	\$ 4,000	\$ 0
Less: Grants paid in 2012	<u>(104,110)</u>	<u>(0)</u>
Remaining grants as of 12.31.2012	0	7,500
Less: Discount to present value	<u>(0)</u>	<u>(0)</u>
Grants payable as of 12.31.2012	<u>\$ 0</u>	<u>\$ 7,500</u>

See Independent Accountant's Compilation Report

**FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

5. GRANTS PAYABLE (continued)

In 2013, the Foundation pledged a Grant of \$635,979 for research costs payable over one year to the University of South Florida for the identification and characterization of novel therapeutics for Angelman Syndrome. This grant has not been included in the Grants Payable account as of December 31, 2012.

In 2013, the Foundation pledged a Grant of \$9,030 for the purchase of equipment to the University of California Davis. This grant has not been included in the Grants Payable account as of December 31, 2012.

SUPPLEMENTAL INFORMATION

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
SCHEDULE A - SCHEDULE OF REVENUES BY SOURCE
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
General Donations				
Individuals	\$ 325,286	\$ 10,826	\$ -	\$ 336,112
Corporate	208,297	15,000	-	223,297
Foundation	219,401	5,000	-	224,401
Events and Programs				
Annual Gala	101,077	-	-	101,077
Angel Runners / Miles for Smiles	515	-	-	515
Other Fundraising Events	69,371	-	-	69,371
	<u>\$ 923,947</u>	<u>\$ 30,826</u>	<u>\$ -</u>	<u>\$ 954,773</u>

2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
General Donations				
Individuals	\$ 91,471	\$ -	\$ -	\$ 91,471
Corporate	366,746	4,542	-	371,288
Foundation	10,000	6,000	-	16,000
Events and Programs				
Annual Gala	88,655	-	-	88,655
Angel Runners / Miles for Smiles	51,750	-	-	51,750
Other Fundraising Events	19,615	-	-	19,615
	<u>\$ 628,237</u>	<u>\$ 10,542</u>	<u>\$ -</u>	<u>\$ 638,779</u>

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
SCHEDULE B - SCHEDULE OF COSTS AND EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Event and Fundraising Costs				
Program expenses				
Community outreach	\$ 41,594	\$ -	\$ -	\$ 41,594
Education and awareness	16,956	-	-	16,956
Research funding	253,890	-	-	253,890
Fundraising expense	44,240	-	-	44,240
Total costs and expenses before general and administrative expenses	\$ 356,680	\$ -	\$ -	\$ 356,680
General Operating Expenses				
Fees	\$ 485	\$ -	\$ -	\$ 485
Filing fees and registrations	405	-	-	405
Insurance	-	-	-	-
Marketing	364	-	-	364
Office supplies	488	-	-	488
Postage and delivery	994	-	-	994
Professional fees	8,000	-	-	8,000
Telephone and telecommunications	2,740	-	-	2,740
Travel	4,000	17,444	-	21,444
Total general and administrative	\$ 17,476	\$ 17,444	\$ -	\$ 34,920
Total costs and expenses	<u>\$ 374,156</u>	<u>\$ 17,444</u>	<u>\$ -</u>	<u>\$ 391,600</u>

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
SCHEDULE B - SCHEDULE OF COSTS AND EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Event and Fundraising Costs				
Program expenses				
Community outreach	\$ 22,063	\$ -	\$ -	\$ 22,063
Education and awareness	19,498	-	-	19,498
Research funding	125,110	-	-	125,110
Fundraising expense	34,108	-	-	34,108
Total costs and expenses before general and administrative expenses	\$ 200,779	\$ -	\$ -	\$ 200,779
General Operating Expenses				
Fees	\$ 779	\$ -	\$ -	\$ 779
Filing fees and registrations	103	-	-	103
Insurance	1,031	-	-	1,031
Marketing	-	-	-	-
Office supplies	1,820	-	-	1,820
Postage and delivery	804	-	-	804
Professional fees	-	-	-	-
Telephone and telecommunications	2,084	-	-	2,084
Travel	-	-	-	-
Total general and administrative	\$ 6,621	\$ -	\$ -	\$ 6,621
Total costs and expenses	<u>\$ 207,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,400</u>

FOUNDATION FOR ANGELMAN SYNDROME THERAPEUTICS
SCHEDULE C - SCHEDULE OF INVESTMENTS
DECEMBER 31, 2012 AND 2011

2012		
	<u>Cost</u>	<u>Market Value</u>
MONEY MARKET FUND:		
Morgan Stanley Smith Barney AA Money Trust	\$ 500,983	\$ 500,983
GOVERNMENT & GSE OBLIGATIONS:		
US Treasury Bill (\$364,000, Dated July 2012, Maturing January, 2013)	363,996	364,000
TOTAL INVESTMENTS	<u><u>\$ 864,979</u></u>	<u><u>\$ 864,983</u></u>

2011		
	<u>Cost</u>	<u>Market Value</u>
MONEY MARKET FUND:		
Morgan Stanley Smith Barney AA Money Trust	\$ 50,004	\$ 50,004
GOVERNMENT & GSE OBLIGATIONS:		
US Treasury Bill (\$250,000, Dated September 2011, Maturing March, 2012)	249,997	249,990
TOTAL INVESTMENTS	<u><u>\$ 300,001</u></u>	<u><u>\$ 299,994</u></u>

See Independent Accountant's Review Report and Notes to the Financial Statements.