

RESTLESS LEGS SYNDROME FOUNDATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

RESTLESS LEGS SYNDROME FOUNDATION, INC.

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ALAN C. ANDERSON, CHARTERED

CERTIFIED PUBLIC ACCOUNTANT
BUENA VISTA OFFICE PLAZA, SUITE B
121 - 14TH STREET NORTHEAST
ROCHESTER, MINNESOTA 55906-7083

Alan C. Anderson, CPA
Julie K. Wright, CPA
Mary Mark Patten, CPA

507-288-3947

FAX 507-288-8886

Independent Auditor's Report

To the Board of Directors
Restless Legs Syndrome Foundation, Inc.
Rochester, Minnesota

We have audited the accompanying financial statements of Restless Legs Syndrome Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, 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 audits. We conducted our audits 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 from 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 Restless Legs Syndrome Foundation, Inc. as of September 30, 2014 and 2013, 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.

Alan C. Anderson Chtd.

Rochester, Minnesota

February 1, 2015

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Statements of Financial Position
September 30, 2014 and 2013

ASSETS	2014	2013
<hr/>		
Current Assets		
Cash and cash equivalents	\$ 184,424	\$ 284,498
Investments	445,951	316,761
Pledge receivable	10,000	0
Prepaid and accrued assets	20,810	18,837
Inventory	7,053	4,518
Total current assets	<u>668,238</u>	<u>624,614</u>
Property and Equipment		
Furniture and equipment	116,076	119,344
Less accumulated depreciation	(110,940)	(112,415)
Net property and equipment	<u>5,136</u>	<u>6,929</u>
Total assets	<u>\$ 673,374</u>	<u>\$ 631,543</u>
<hr/>		
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,374	\$ 6,806
Accrued expenses	11,697	20,949
Research grants payable	17,500	0
Unearned revenue	16,748	35,280
Total current liabilities	<u>62,319</u>	<u>63,035</u>
Net Assets		
Unrestricted	491,190	472,573
Temporarily restricted	119,865	95,935
Total net assets	<u>611,055</u>	<u>568,508</u>
Total liabilities and net assets	<u>\$ 673,374</u>	<u>\$ 631,543</u>

(See Notes to Financial Statements)

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Statements of Activities
For the Years Ended September 30, 2014 and 2013

	2014	2013
Change in unrestricted net assets:		
Unrestricted revenues and other support		
Contributions	\$ 273,158	\$ 446,126
Memberships	106,224	97,121
Grants received	48,532	96,120
Interest and dividends	18,724	14,621
Miscellaneous income	331	4,615
Realized and unrealized gains on investments	9,093	8,600
Net assets released from restrictions - satisfaction of program restrictions	35,295	24,363
Total unrestricted revenues and other support	491,357	691,566
Expenses:		
Program services:		
Education	154,685	227,698
Membership	147,608	157,945
Research	54,472	20,860
Support groups	10,743	17,095
General and administrative	80,698	85,503
Fundraising	24,534	30,890
Total expenses	472,740	539,991
Increase in unrestricted net assets	18,617	151,575
Change in temporarily restricted assets:		
Education contributions collected	295	6,720
Quality Care Centers contributions collected	105	9,235
Research contributions collected	58,825	46,667
Net assets released from restrictions	(35,295)	(24,363)
Increase in temporarily restricted net assets	23,930	38,259
Increase in net assets	42,547	189,834
Net assets at beginning of year	568,508	378,674
Net assets at end of year	<u>\$ 611,055</u>	<u>\$ 568,508</u>

(See Notes to Financial Statements)

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended September 30, 2014

	Program Services						Totals
	Education	Membership	Research	Support Groups	General and Administrative	Fundraising	
Salaries	\$ 61,081	\$ 63,022	\$ 10,687	\$ 4,942	\$ 40,491	\$ 6,285	\$ 186,508
Payroll taxes	4,470	4,611	782	362	2,963	460	13,648
SEP contribution	4,536	4,679	793	368	3,008	466	13,850
Employee benefits/training	7,287	7,518	1,275	590	4,830	750	22,250
Accounting and legal fees	-	-	-	-	4,969	-	4,969
Awareness activities and website	8,703	-	-	-	-	-	8,703
Board of directors costs	-	-	-	-	6,146	-	6,146
Brain Bank research project	-	-	2,962	-	-	-	2,962
Computer and software maintenance costs	14,236	20,316	169	78	642	99	35,540
Consulting	24,780	1,080	150	250	4,600	250	31,110
Dues and subscriptions	120	124	21	10	79	12	366
Medical Advisory Board meeting	2,049	-	-	-	-	-	2,049
Miscellaneous expenses	3,340	1,206	205	95	4,763	121	9,730
Miscellaneous meetings	-	-	71	-	-	-	71
Office equipment and supplies	1,244	1,284	217	100	825	128	3,798
Patient education meetings	2,770	-	-	-	-	-	2,770
Physician education meetings	2,012	-	-	-	-	-	2,012
Postage	2,260	14,682	285	1,077	417	7,511	26,232
Printing and stationary	3,950	15,594	156	894	592	7,463	28,649
Research grants	-	-	35,000	-	-	-	35,000
Special program projects	-	-	17	1,198	-	-	1,215
State registration fees	-	3,571	-	-	-	-	3,571
Depreciation	1,085	1,120	190	88	719	112	3,314
Insurance	1,235	1,274	216	100	819	127	3,771
Occupancy expenses	7,075	7,298	1,237	573	4,690	727	21,600
Telephone	2,452	229	39	18	145	23	2,906
Totals	\$ 154,685	\$ 147,608	\$ 54,472	\$ 10,743	\$ 80,698	\$ 24,534	\$ 472,740

(See Notes to Financial Statements)

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended September 30, 2013

	Program Services					Totals
	Education	Membership	Research	Support Groups	General and Administrative	
Salaries	\$ 99,960	\$ 67,915	\$ 3,696	\$ 10,403	\$ 51,754	\$ 239,251
Payroll taxes	7,602	5,168	281	792	3,938	18,199
SEP contribution	8,948	6,083	331	932	4,638	21,423
Employee benefits/training	7,521	5,012	272	767	3,821	17,798
Accounting and legal fees	-	-	-	-	6,199	6,199
Awareness activities and website	30,342	-	-	-	-	30,342
Board of directors costs	-	-	-	-	2,233	2,233
Brain Bank research project	-	-	618	-	-	618
Computer and software maintenance costs	12,050	17,929	24	68	339	30,446
Consulting	24,267	5,605	-	-	-	38,142
Dues and subscriptions	589	400	22	61	555	1,659
Major donor expenses	-	-	-	-	-	254
Medical Advisory Board meeting	1,900	-	-	-	-	1,900
Miscellaneous expenses	3,384	822	45	125	3,860	8,302
Office equipment and supplies	1,856	1,262	69	193	962	4,444
Patient education meetings	674	-	-	-	-	674
Postage	2,107	14,170	11	1,006	332	22,099
Printing and stationary	12,074	21,354	27	75	373	44,033
Research grants	-	-	15,000	-	-	15,000
Special program projects	263	-	-	1,367	-	1,630
State registration fees	-	3,697	-	-	-	3,697
Depreciation	1,297	882	48	135	673	3,106
Insurance	1,535	1,043	56	159	796	3,674
Occupancy expenses	9,428	6,409	349	982	4,884	22,570
Telephone	1,901	194	11	30	146	2,298
Totals	\$ 227,698	\$ 157,945	\$ 20,860	\$ 17,095	\$ 85,503	\$ 539,991

(See Notes to Financial Statements)

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Statements of Cash Flows
For the Years Ended September 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 42,547	\$ 189,834
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,314	3,106
Realized and unrealized (gains) on investments	(9,093)	(8,600)
Non-cash contributions of assets	(10,127)	(10,648)
Changes in assets and liabilities:		
(Increase) in pledges receivable	(10,000)	0
(Increase) in prepaid and accrued assets	(1,973)	(4,765)
(Increase) in inventory	(2,535)	(1,887)
Increase in accounts payable	9,568	289
(Decrease) in accrued expenses	(9,252)	(3,633)
Increase (decrease) in research grants payable	17,500	(12,500)
Increase (decrease) in unearned revenue	(18,532)	28,380
Net cash provided by operating activities	11,417	179,576
Cash Flows From Investing Activities:		
Purchases of investments	(172,760)	(74,613)
Purchases of property and equipment	(1,521)	0
Proceeds from sales of investment securities	62,790	87,453
Net cash provided by (used in) investing activities	(111,491)	12,840
Cash Flows From Financing Activities:		
Proceeds from line of credit	0	15,000
Payments on line of credit	0	(40,000)
Net cash (used in) financing activities	0	(25,000)
Net increase (decrease) in cash	(100,074)	167,416
Cash and cash equivalents at beginning of year	284,498	117,082
Cash and cash equivalents at end of year	\$ 184,424	\$ 284,498
Supplementary Disclosure of Cash Flow Information		
Interest paid	\$ 0	\$ 970
Interest expense	\$ 0	\$ 970

(See Notes to Financial Statements)

RESTLESS LEGS SYNDROME FOUNDATION, INC.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: The Restless Legs Syndrome Foundation, Inc. (Foundation) was established in 1992 as a not-for-profit corporation. The purposes of the Foundation are to: (1) advance research of restless legs syndrome (RLS), also known as Willis-Ekbom disease or WED, (2) aid victims and their families in understanding RLS/WED problems, (3) alert physicians to recognize RLS/WED and to be aware of available medications, and (4) inform the general public through mass media that RLS/WED is a neurological disorder damaging the physical, social and family lives of its victims. The Foundation's primary sources of revenue are corporate grants, soliciting contributions from the public, and publishing a quarterly newsletter.

Programs: The Foundation has the following programs on which the Foundation is built:

- a. Membership - The Foundation prints and distributes quarterly newsletters to subscribers informing readers of the latest development of treatments and research of RLS/WED.
- b. Education - The Foundation provides informational brochures to individuals who suffer from RLS/WED, helps educate health care professionals and patients, and attends conferences to inform the medical profession about RLS/WED.
- c. Research - The Foundation supports and funds research projects on RLS/WED.
- d. Support groups - The Foundation provides individuals the opportunity to discuss ways to live with RLS/WED and share ideas with others through support groups.

Basis 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.

Presentation: 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. Unrestricted funds are those funds presently available for use by or on behalf of the Foundation including amounts available for general and administrative expenses. These unrestricted funds may also include board-designated funds. Temporarily restricted net assets are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of the Foundation. When the donor restriction is accomplished, these temporarily restricted assets are reclassified to unrestricted. The Foundation currently has no permanently restricted net assets.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the statements of cash flows, the Foundation considers all mutual funds and highly liquid investments available for current uses with an initial maturity of three months or less to be cash equivalents.

Investments: Investments are composed of publicly-traded mutual funds and 150 shares in a timeshare condo, and are carried at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which income and gains are recognized. Due to the Foundation having investments in mutual funds, it is therefore subject to concentrations of credit risk. Investments are made by an Investment Counselor engaged by the Foundation and the investments are monitored by the Board of Directors. Though the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Foundation.

Receivables: Management closely monitors outstanding receivables; amounts that are determined to be uncollectible are expensed when that determination is made. At September 30, 2014 and 2013, management considered all remaining receivables to be fully collectible; accordingly, there was no allowance for doubtful accounts. Based on its assessment of the current status of individual accounts, management determines when receivables are past due; however, no interest is recognized on past due accounts.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Contributions of cash and other assets are presented as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When the stipulated time or purpose for which the contributions were solicited occurs, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Inventory: Inventory consists primarily of clothing and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO).

Property and equipment: Acquisitions of property and equipment in excess of \$200 are capitalized; lesser amounts are expensed. These assets are capitalized at cost. Expenditures for maintenance and repairs are charged to expenses as incurred. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributed property and equipment with donor restrictions on how long the assets must be used are recorded as restricted contributions. All other contributions of property and equipment are recorded as unrestricted contributions when the assets are placed in service. Depreciation is computed using the straight-line method over estimated useful lives of three, five, seven, twenty and forty years. Depreciation expense for September 30, 2014 and 2013 amounted to \$3,314 and \$3,106, respectively.

Membership deferred revenue: The Foundation receives income from members as an annual fee. For the years ended September 30, 2014 and 2013, the membership fees were recognized as income upon receipt.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: The Foundation is exempt from income taxes under 501(c) (3) of the Internal Revenue Code and applicable state statutes. However, the Foundation is required to pay state and federal income taxes on unrelated business income. At September 30, 2014, the Foundation has net operating loss carryforwards available to reduce future unrelated business income taxes of \$270, which begin to expire in 2033. The Foundation has been determined not to be a private foundation under Section 509 (a) of the Internal Revenue Code. The Foundation has not been audited by the Internal Revenue Service or Minnesota Revenue, and accordingly the unrelated business income tax returns for the past three and one-half years are open to examination.

Note 2. Investments

Maturities and sales of securities during the years **2014** and 2013 were **\$62,790** and \$87,453, respectively. Investment income includes the following for the years ended September 30, **2014** and 2013:

	2014	2013
Interest and dividends	\$ 18,724	\$ 14,621
Realized (loss)	(37)	(104)
Unrealized gain	9,130	8,704
Totals	<u>\$ 27,817</u>	<u>\$ 23,221</u>

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Market risk could occur and is dependent on the future changes in market prices of the various investments held. Cost and fair value of marketable securities at September 30, **2014** and 2013 are as follows:

	2014		
	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 432,921	\$ 442,051	\$ 9,130
Timeshare	3,900	3,900	-
Totals	<u>\$ 436,821</u>	<u>\$ 445,951</u>	<u>\$ 9,130</u>
	2013		
	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 304,157	\$ 312,861	\$ 8,704
Timeshare	3,900	3,900	-
Totals	<u>\$ 308,057</u>	<u>\$ 316,761</u>	<u>\$ 8,704</u>

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Notes to Financial Statements

Note 3. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

Note 4. Unearned Revenue

Unearned revenue represents grants received in fiscal years 2014 and 2013 for the support of the mission of the Foundation and various projects. Unearned revenues for **2014** and 2013 were **\$16,748** and \$35,280, respectively.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, **2014** and 2013 are available for the following purposes:

	2014	2013
Research	\$ 113,168	\$ 89,343
Quality Care Center	6,697	6,592
Totals	\$ 119,865	\$ 95,935

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2014	2013
Research	\$ 35,000	\$ 15,000
Education	295	2,643
Quality Care Center	-	6,720
Totals	\$ 35,295	\$ 24,363

Note 6. Line of Credit Payable

A line of credit in the amount of \$215,000 is available to be drawn upon. For the year ended September 30, **2014**, the outstanding balance was \$0, with an interest rate of 4.16%.

Note 7. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

RESTLESS LEGS SYNDROME FOUNDATION, INC.
Notes to Financial Statements

Note 8. Lease Commitments

The Foundation is obligated under a lease agreement for its operating facilities from November 16, 2011 through September 30, 2017. Rent expense for September 30, **2014** and 2013 amounted to **\$21,600** and \$21,600, respectively.

The following is a schedule of future minimum rental payments:

2015	\$ 21,900
2016	22,200
2017	22,200
Total	<u>\$ 66,300</u>

Note 9. Retirement Plan

The Foundation provides retirement benefits to full-time employees through contributions to a simplified employee pension plan. Contributions are equal to 10% of employee compensation. Plan contributions for September 30, **2014** and 2013 were **\$13,850** and \$21,423, respectively.

Note 10. Related Party Transactions

During fiscal years 2014 and 2013, the Foundation acted as a fiduciary agent for Restless Legs Syndrome Foundation, Inc. - Canada. The Foundation also elected all three members of the Board of Directors of the Canadian organization, two of whom are also members of the Foundation's Board of Directors. These financial statements only include Restless Legs Syndrome Foundation, Inc. and do not report on the financial position of the Canadian organization.

Note 11. Donated Services

The Foundation receives donated services from unpaid volunteers who make contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer effort as contributed services has not been satisfied.

Note 12. Subsequent Events

In preparing these financial statements, the Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through February 1, 2015, the date these financial statements were available to be issued.

Note 13. Organization Name Change

In February 2013, the Restless Legs Syndrome Foundation, Inc. began to do business as the Willis-Ekbom Disease Foundation or WED Foundation to reflect the new disease name of Willis-Ekbom disease.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

Notes to Financial Statements

Note 14. Quality Care Center Liability

To help address these challenges, in 2013 the WED Foundation launched a network of certified WED/RLS Quality Care Centers. Centers are staffed by leading WED/RLS specialists who provide expert care and specialized disease management. Through education, sharing of best practices and quality improvement projects, the Quality Care Center program aims to improve the quality of healthcare for all people living with WED/RLS.

WED/RLS Quality Care Centers:

- * Are recognized as WED/RLS specialists so patients can use their services.
- * Serve as information and referral sources for regional support groups and for primary care providers who treat patients with WED/RLS.
- * Promote understanding of the patient and family role in quality care improvement through educational offerings and print materials.
- * Share information with other Centers to improve clinical best practices.
- * Partner with the WED Foundation on quality improvement projects to raise the standard of care for patients everywhere.

Quality Care Centers are renowned for outstanding performance in the field. To achieve certification, Centers and clinicians undergo review by the WED Foundation's Medical Advisory Board and must demonstrate a high level of expertise and experience in managing patients with a wide range of complex and comorbid conditions associated with the disease.

Donations received for this program are restricted. The board of directors is developing guidelines for the use of the funds.

