

Restless Legs Syndrome Foundation, Inc.
Financial Statements
October 1, 2014 – September 30, 2015

Don Wilson

Certified Public Accountant, CGMA

Restless Legs Syndrome Foundation, Inc.

Financial Statement and
Accompanying Notes
For the Year Ended
September 30, 2015

Restless Legs Syndrome Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Restless Legs Syndrome Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility


Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Restless Legs Syndrome Foundation, Inc., as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


San Benito, TX
January 29, 2016

Accounting and Auditing Services

Federal and State Income and Franchise Tax Services

Medicare and Medicaid Cost Reports

Financial Statements Preparation, Compilation, Accounting Reviews, and Projections and Forecasts

IRS Resolutions

Financial Statements

Restless Legs Syndrome Foundation, Inc.
Statement of Financial Position
As of September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Assets				
Cash and cash equivalents	\$ 153,124			\$ 153,124
Accounts receivable	16,000			16,000
Prepaid expenses	1,674			1,674
Short term investments	163,873	233,557		397,430
Security deposits	1,600			1,600
Total assets	<u>336,271</u>	<u>233,557</u>	<u>0</u>	<u>569,828</u>
Liabilities and Net Assets				
Accounts payable	18,078			18,078
Accrued expenses and other liabilities	17,314			17,314
Total liabilities	<u>35,392</u>	<u>0</u>	<u>0</u>	<u>35,392</u>
Net Assets				
Unrestricted	300,879			300,879
Temporarily restricted		233,557		233,557
Permanently restricted				0
Total net assets	<u>300,879</u>	<u>233,557</u>	<u>0</u>	<u>534,436</u>
Total liabilities and net assets	<u>\$ 336,271</u>	<u>\$ 233,557</u>	<u>\$ -</u>	<u>\$ 569,828</u>

The accompanying notes are an integral part of these financial statements

Restless Legs Syndrome Foundation, Inc.
Statement of Activities
For the Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues, Gains and Other Support				
Unrestricted contributions	\$ 351,466			\$ 351,466
Temporarily restricted contributions				0
General Research Fund		86,026		86,026
Quality Care Centers		6,698		6,698
Other Grants		76,170		76,170
Permanently restricted contributions				0
Dues and membership	105,130			105,130
Capital gain distribution	5,718			5,718
Interest and dividends	17,772			17,772
Net unrealized gains (loss) on investments	(44,292)			(44,292)
Gain (loss) on sale of assets	(20,922)			(20,922)
Other revenues	4,825			4,825
Total revenues, gains, and other support	419,697	168,894	0	588,591
Net assets released from restrictions:				
Expiration of time and purpose restrictions	71,855	(71,855)		0
Total revenues, gains, and other support	491,552	97,039	0	588,591
Expenses				
Program services				
Education	298,423			298,423
Membership	152,901			152,901
Research	31,650			31,650
Support groups	7,076			7,076
Total program support	490,050			490,050
				0
Management and General	69,871			69,871
Fundraising	113,792			113,792
				0
Total expenses	673,713	0	0	673,713
Change in net assets	(182,161)	97,039	0	(85,122)
Net assets at the beginning of the year	483,040	136,518		619,558
Net assets at the end of year	\$ 300,879	\$ 233,557	\$ -	\$ 534,436

The accompanying notes are an integral part of these financial statements

Restless Legs Syndrome Foundation, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2015

	Program Services -----						Totals
	Education	Membership	Research	Support Groups	Management & General	Fundraising	
Salaries and wages	\$ 59,706	\$ 67,762		\$ 3,317	\$ 13,900	\$ 13,268	\$ 157,953
Employees benefits	2,006	2,277		112	467	446	5,308
SEP contributions	4,240	4,812		236	987	942	11,217
Payroll taxes	4,562	5,178		254	1,062	1,014	12,070
Accounting and legal	29,677	8,347		463	7,883		46,370
Awareness activities and website	46,641	5,125		1,948		2,800	56,514
Board of directors costs	2,310	650		36	614		3,610
Computing and software	27,082	27,082					54,164
Consulting	2,287	643		36	608		3,574
Dues and subscription					483		483
Education - Hearing Voices	2,400						2,400
Fundraising	18,519					95,322	113,841
Medical Advisory Board meetings	1,639						1,639
Miscellaneous					64		64
Office equipment and supplies	6,852	1,927		106	1,820		10,705
Postage	1,854	4,412			6,445		12,711
Printing and reproduction	10,757	14,440			7,373		32,570
Education and Research grants	40,205		31,650				71,855
Sleep meetings	1,258						1,258
State registration costs	2,314	651		35	615		3,615
Travel					18,488		18,488
Insurance	3,345	941		52	889		5,227
Occupancy	28,868	8,119		452	7,668		45,107
Telephone	1,901	535		29	505		2,970
Total expenses	\$ 298,423	\$ 152,901	\$ 31,650	\$ 7,076	\$ 69,871	\$ 113,792	\$ 673,713

The accompanying notes are an integral part of these financial statements

Restless Legs Syndrome Foundation, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2015

Cash flows from operating activities

Change in net assets	\$ (85,122)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(increase) decrease in:	
Accounts receivable	(16,000)
Contributions receivable	10,000
Short term investments	48,521
Inventory	7,053
Prepaid expenses	19,136
Security deposits	(1,600)
Increase (decrease) in:	
Accounts payable	10,207
Accrued expenses and other liabilities	5,617
Research grants payable	(17,500)
Unearned revenues	(16,748)
Net cash (used) provided by operating activities	<u>(36,436)</u>

Cash flows from investing activities

Disposal of property and equipment	116,076
Accumulated depreciation - disposal of assets	(110,940)
Net cash (used) provided by investing activities	<u>5,136</u>

Cash flows from financing activities

Net Increase (decrease) in cash and cash equivalents	(31,300)
Cash and cash equivalents, beginning of year	<u>184,424</u>
Cash and cash equivalents, end of year	<u><u>\$ 153,124</u></u>

The accompanying notes are an integral part of these financial statements

Restless Legs Syndrome Foundation, Inc.

Notes to the financial statements

For the Year Ended September 30, 2015

Description of Organization

The Restless Legs Syndrome Foundation, Inc. (RLSF) or (Foundation) was established in 1992 as a corporation exempt from income taxes under Internal Revenue Code Sec. 501 (c) (3). The Foundation exists to:

- Advance research of Restless Legs Syndrome, (RLS) also known as Willis-Ekbom disease;
- Aid victims and their families in the understanding of Restless Legs Syndrome, and the related challenges to living with the disorder;
- Alert physicians to recognize RLS and to increase their awareness of available medications;
- Inform the general public through mass media that RLS is a neurological disorder, one which damages the physical, social and family lives of its victims.

The RLSF primary sources of revenue are membership contributions and additional solicited contributions from the public and corporate grants. RLSF's mission includes support for the following programs:

- Membership – the Foundation distributes a quarterly and a monthly on-line newsletters to subscribers informing readers of the latest treatments for RLS and updates on research;
- Education – the Foundation provides informational brochures and handouts to individuals who suffer from RLS, and helps educate health care professionals and patients, about RLS;
- Research – the Foundation supports and funds research projects related to RLS;
- Support groups – the Foundation provides individuals the opportunities to discuss managing the disorder and a mechanism to share ideas with others through support groups.

General and administrative activities include the tasks and functions necessary to provide support for the Foundation's program activities. These activities, include the Foundation's governance (Board of Directors) and its oversight, business management, financial recordkeeping, human resource management, and similar activities.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (US GAAP) for Not-for-Profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Restless Legs Syndrome Foundation, Inc.
Notes to the financial statements
For the Year Ended September 30, 2015

Use of estimates Management is required to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based on historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions used are reasonable in the circumstances; the actual results, however, could differ from those estimates.

Net Assets

The financial statements report net assets and changes to net assets in three classes. Classifications of net assets are based upon the existence or absence of restrictions on their use as may be placed by its donors. The three classes are:

Unrestricted Net Assets - Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are those the board may adopt; those mandated by environment in which the Foundation operates; limitations imposed by the Foundation's corporate documents and its application for tax-exempt status; and any limits resulting from contractual agreements with creditors or others that are entered into in the course of its operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets are resources received subject to a donor restriction as to use for a particular purpose or in a particular future period. When a donor's restrictions is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the asset from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets – Permanently restricted net assets are resources received subject to a donor restriction that neither expires upon use in accordance with a donor's restriction or by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

Revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. Expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Restless Legs Syndrome Foundation, Inc.
Notes to the financial statements
For the Year Ended September 30, 2015

Cash Equivalents – Cash equivalents are short-term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investment is held for meeting restrictions of a capital or endowment nature.

Accounts and Contributions Receivable – The Foundation does not provide goods or services to customers and, accordingly does not maintain accounts receivables for these types of activities. Contributions receivable are unconditioned promises to give that are recognized as contributions when the promise is received. Contributions receivables expected to be collected in less than one year are recorded at net realized value. Contributions receivables expected to be collected in more than one year are recorded at fair value at the date of promise. Management believes that all outstanding donations or grants receivables are collectible in full for the year ended September 30, 2015. No allowance for uncollectible accounts or contributions receivable has been provided.

Inventory – A major objective of accounting for inventories is the proper determination of income through the process of matching appropriate costs against revenues. The Foundation maintains immaterial amounts of publications and educational materials.

Short Term Investments – The Foundation invests cash in excess of its immediate needs in money market funds and maintains a mutual fund account. Short term investments are reported at fair value. The fair value of money market fund units is determined by the published net asset value per unit at the end of the last trading day of the year. The fair value for investments in the mutual fund account is determined by the closing bid price on the last business day of the fiscal year.

Land, Buildings and Equipment – The Foundation does not maintain any land or buildings. Equipment costs, if greater than \$2,500 or more and the item has a useful life when acquired of more than one year is capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation, if applicable, is computed using the straight-line method over the estimated useful lives of the assets. The value of office equipment maintained by the Foundation is immaterial in value. The Furniture and Equipment formerly located at the Rochester, MN office was disposed of during the fiscal year.

Expense Recognition and Allocation - The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

Management and General expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in the future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between

Restless Legs Syndrome Foundation, Inc.
Notes to the financial statements
For the Year Ended September 30, 2015

fundraising, management and general and program support in accordance with standards for accounting for costs of activities that include fundraising.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

Tax Status – The Foundation has been recognized as exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code (IRC). The Foundation may be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2012, 2013, and 2014, are still open to audit for both federal and state purposes. Contributions to the Foundation are tax deductible to donors under Section 170 of the IRC.

Fair Value Measurements

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of input used to measure fair value are:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date,
- Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the assets or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the assets or liability. Unobservable inputs should be used to measure the fair value to the extent that the observable inputs are not available.

Cash and cash equivalents

Cash and cash equivalents consist of the following at September 30, 2015

Cash in banks	\$136,222
Money market funds	<u>16,902</u>
Total cash and cash equivalents	<u>\$153,124</u>

Restless Legs Syndrome Foundation, Inc.
Notes to the financial statements
For the Year Ended September 30, 2015

Investments

Investments consist of the following at September 30, 2015:

	<u>Fair Value</u>
Short term investments	
Stocks, and Bonds held in an investment account	
Unrestricted	\$163,873
Temporarily restricted	<u>233,557</u>
Total short term investments	<u>\$397,430</u>

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Foundation deposits its cash with high quality financial institutions. Management believes the Foundation's investments are not exposed to significant credit risk on those amounts.

Operating Lease Commitments

The Foundation has an operating lease for its office space, the following is a schedule of future minimum rental payments:

Year ending 09/30/2016	\$38,262
2017	38,841
2018	40,428
2019	40,428
2020	40,428

Effective August 1, 2015, the Foundation and the lessor mutually agreed to cancel the lease of the property located on 1530 Greenview Drive, SW, Suite 212F, Rochester, MN, 55902, due to the organizational move to Austin, TX. No further obligation exists on the lease in Rochester, MN.

Retirement Plan

The Foundation provides retirement benefits to full-time employees through contributions to a Simplified Employee Pension plan. Contributions are equal to ten (10) percent of employee compensation. Plan contributions for the year ended September 30, 2015 were \$11,217.

Related Party Transactions

During the fiscal year, the Foundation acted as an operating agent for Restless Legs Syndrome Foundation, Inc. – Canada. The Foundation elected all three members of the board of directors of the Canadian organization, one of whom is a member of the Foundation's board of directors. These financial

Restless Legs Syndrome Foundation, Inc.
Notes to the financial statements
For the Year Ended September 30, 2015

statements only include information related to Restless Legs Syndrome Foundation, Inc. and do not report on the financial position of the Canadian organization.

Donated Services

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

Organization Name Change

In May, 2015, the organization resumed using its legal name, Restless Legs Syndrome Foundation, Inc., for business purposes. For two years, beginning in February, 2013, the RLSF operated as the Willis-Ekbom Disease Foundation or WED Foundation. This organization will no longer do business as the Willis-Ekbom Disease Foundation.

Quality Care Center Liability

To help address the challenges related to treating Restless Legs Syndrome, the Foundation oversees a network of certified RLS Quality Care Centers. These quality care centers are staffed by leading RLS specialists who provide expert care and specialized disease management. Through education, sharing of best practices and quality improvement projects, the quality care centers program aims to improve the quality of healthcare for all people living with RLS.

RLS Quality Care Centers are recognized as locations:

- where leading RLS specialists are staffed and available for RLS sufferers
- serve as information and referral sources for regional support groups and for primary care providers that treat patients with restless legs syndrome
- promote understanding of the patient and family role in quality care improvement through educational offerings and printed material
- share information with other care centers to improve clinical best practices
- partner with the 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 Foundation's Medical Advisory Board. Service providers must demonstrate a high level of expertise and experience in management RLS patients with a wide range of complex and comorbid conditions associated with this disease.

Restless Legs Syndrome Foundation, Inc.
Notes to the financial statements
For the Year Ended September 30, 2015

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

Subsequent Events

Subsequent events have been evaluated through January 29, 2016, which is the date the financial statements were available to be issued. No events have been identified that require a change to the financial statements as presented herein. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.