



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

RESTLESS LEGS SYNDROME FOUNDATION, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

SEPTEMBER 30, 2023



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Restless Legs Syndrome Foundation, Inc.

Opinion

We have audited the accompanying financial statements of the Restless Legs Syndrome Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023, and the changes in its net assets and its cash flows for the fiscal year 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 the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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

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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 the Foundation'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 the Foundation'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.

Montemayor Britton Bender PC

March 8, 2023
Austin, Texas

RESTLESS LEGS SYNDROME FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023

ASSETS

Current assets

Cash and cash equivalents \$289,513

Investments 590,371

Prepays and security deposit 31,805

911,689

Right of use asset-operating lease 2,478

Fixed assets, net 9,266

\$923,433

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable \$33,337

Accrued payroll liabilities 33,756

Grants payable 29,895

Deferred event revenue 16,945

Current portion of operating lease obligation 1,221

115,154

Operating lease obligation, net of current portion 1,257

116,411

Net assets

Without donor restrictions 628,858

With donor restrictions 178,164

807,022

\$923,433

The accompanying notes are an integral part of this financial statement presentation.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$723,726	\$40,636	\$764,362
Membership dues	143,150	0	143,150
Events	19,895	0	19,895
Investment and other income	16,652	0	16,652
Net assets released from donor restrictions	<u>85,943</u>	<u>(85,943)</u>	<u>0</u>
	<u>989,366</u>	<u>(45,307)</u>	<u>944,059</u>
EXPENSES			
Program services:			
Education	430,527	0	430,527
Membership	172,507	0	172,507
Research	83,313	0	83,313
Support Groups	<u>30,891</u>	<u>0</u>	<u>30,891</u>
	717,238	0	717,238
Fundraising	74,538	0	74,538
Administrative	<u>82,179</u>	<u>0</u>	<u>82,179</u>
	<u>873,955</u>	<u>0</u>	<u>873,955</u>
CHANGE IN NET ASSETS	115,411	(45,307)	70,104
BEGINNING NET ASSETS	<u>513,447</u>	<u>223,471</u>	<u>736,918</u>
ENDING NET ASSETS	<u>\$628,858</u>	<u>\$178,164</u>	<u>\$807,022</u>

The accompanying notes are an integral part of this financial statement presentation.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<u>Program Services</u>						
	<u>Education</u>	<u>Membership</u>	<u>Research</u>	<u>Support Groups</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and related	\$112,994	\$87,422	\$19,623	\$26,704	\$4,297	\$24,026	\$275,066
Campaigns and appeals	80,188	0	0	0	58,084	0	138,272
Community awareness	124,879	0	0	130	0	0	125,009
Member services	11,210	56,458	1,488	1,600	1,246	8,090	80,092
Professional fees	11,978	11,978	0	0	0	44,487	68,443
Grants	0	0	59,790	0	0	0	59,790
Occupancy	32,905	9,401	470	470	940	2,821	47,007
Outreach programs	46,869	0	0	0	0	0	46,869
Office equipment and supplies	5,317	4,114	923	1,257	202	1,131	12,944
State registration costs	0	0	0	0	9,610	0	9,610
Board of Directors and staff expenses	1,121	976	592	151	25	1,098	3,963
Insurance	1,595	1,234	277	377	61	339	3,883
Subscriptions	850	658	148	201	32	181	2,070
Depreciation	547	195	0	0	39	0	781
Interest and taxes	<u>74</u>	<u>71</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>6</u>	<u>156</u>
	<u>\$430,527</u>	<u>\$172,507</u>	<u>\$83,313</u>	<u>\$30,891</u>	<u>\$74,538</u>	<u>\$82,179</u>	<u>\$873,955</u>

The accompanying notes are an integral part of this financial statement presentation.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$70,104
Depreciation	781
Amortization of right of use asset	1,187
Unrealized (gain)/loss	(6,444)
Change in prepaids and security deposit	(15,015)
Change in accounts payable	7,158
Change in accrued payroll liabilities	10,184
Change in operating lease obligation	(1,187)
Change in grants payable	20,895
Change in deferred event revenue	<u>16,945</u>
	<u>104,608</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of fixed assets	(7,735)
Sales of investments	186,722
Purchases of investments	<u>(459,356)</u>
	<u>(280,369)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (175,761)

BEGINNING CASH AND CASH EQUIVALENTS 465,274

ENDING CASH AND CASH EQUIVALENTS \$289,513

The accompanying notes are an integral part of this financial statement presentation.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Restless Legs Syndrome Foundation, Inc. (the “Foundation”), is a nonprofit organization established in 1992 to advance awareness, better treatments and research of Restless Legs Syndrome (RLS); aid individuals with RLS and their families in the understanding of RLS, and the related challenges to living with the disorder; alert physicians to recognize RLS and to increase their awareness of available medications; and to inform the general public through means of mass media that RLS is a neurological disorder, one which damages the physical, social and family lives of those living with RLS. The Foundation is supported mainly by membership contributions and contributions from the public and corporations.

The Foundation’s mission includes support for the following programs:

- Membership- the Foundation distributes a quarterly news magazine to members and a monthly online e-newsletters to inform readers of the latest treatments for RLS and updates on research, and provides a network of Quality Care Centers staffed by RLS experts (see Note 12).
- 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 the only dedicated RLS research grant program whose aims are to find the causes and cures for the disease.
- Support Groups- the Foundation provides individuals the opportunities to discuss managing the disorder and a mechanism to share ideas with others through support groups.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Foundation uses the accrual basis of accounting. Revenues are recognized when earned regardless of when received. Expenses are recognized when incurred regardless of when paid.

FINANCIAL STATEMENT PRESENTATION

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

INVESTMENTS

Investments consist of mutual funds, corporate bonds, and money market funds carried at fair value and certificates of deposit carried at amortized cost.

CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Contributions, including promises to give, are recorded when cash, securities, other assets, or an unconditional promise to give is received. Contributions that are restricted by the donor are reported as increases in unrestricted support if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, based on the nature of any donor restrictions. As purpose or time restrictions are satisfied net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions are substantially met. Contributions that are expected to be collected in future years are recorded at the present value of the expected future cash flows.

MEMBERSHIPS

The Foundation's membership dues are considered contributions because they are not considered to have an exchange element. The membership dues are recorded as revenue in their entirety upon receipt.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, if purchased, and at fair market value at the date of the gift, if donated. The Foundation capitalizes assets with a useful life of greater than one year. Property and equipment are depreciated over their estimated useful lives, using the straight-line method.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with U.S. 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.

FEDERAL INCOME TAXES

The Foundation is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. Management has determined that the Foundation has no unrelated business income during the fiscal year ended September 30, 2023. The Foundation's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At September 30, 2023, no interest and penalties have been or are required to be accrued. The Foundation is required to file Form 990 (Return of Organization Exempt from Income Tax) with the Internal Revenue Service (IRS). These returns are generally subject to examination by the IRS for three years after they were filed.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related, office equipment and supplies, subscriptions and insurance, which are allocated based on estimates of time and effort; occupancy and depreciation, which are based on usage of space; and campaigns and appeals, member services, professional fees, community awareness, interest and taxes, and Board of Directors and staff expenses, which are allocated based on management's review and analysis of individual transactions and accounts.

LEASES

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right of use (ROU) assets and operating lease obligation in the statement of financial position. ROU assets and lease obligations reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Foundation does not report ROU assets and lease obligations for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-lease components, such as common area maintenance charges, are separated from lease components based on the terms of the related lease. Variable lease costs, such as insurance and property taxes, and non-lease components are expensed as incurred within the occupancy account.

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

NOTE 3: INVESTMENTS

Fixed income	\$23,710
Mutual funds	115,606
Equities	18,499
Corporate bonds	12,313
Certificates of deposit	328,965
Money market deposit accounts	<u>91,278</u>
	<u>\$590,371</u>

NOTE 4: FAIR VALUE DISCLOSURES

	<u>Amount</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income	\$23,710	\$23,710	\$0	\$0
Mutual funds	115,606	115,606	0	0
Equities	18,499	18,499	0	0
Corporate bonds	<u>12,313</u>	<u>0</u>	<u>12,313</u>	<u>0</u>
	<u>\$170,128</u>	<u>\$157,815</u>	<u>\$12,313</u>	<u>\$0</u>

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4: FAIR VALUE DISCLOSURES (CONTINUED)

The fair value of investments in corporate bonds (level 2) is based on quoted market prices in active markets for similar investments as well as valuation methodologies using discounted cash flows and observable credit ratings.

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$289,513
Investments	590,371
Less: amounts unavailable due to donor imposed restrictions (Note 10)	(178,164)
Less: grants payable	<u>(29,895)</u>
	<u>\$671,825</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Any excess funds are invested in demand deposit accounts such as savings accounts and investments.

NOTE 6: RETIREMENT PLAN

The Foundation maintains a Simple Employee Pension Plan for its full time employees. The Foundation makes contributions of 10% of employee compensation. Total employer contributions for the fiscal year ended September 30, 2023 was \$21,990.

NOTE 7: ALLOCATION OF JOINT COSTS

During the fiscal year ended September 30, 2023, the Foundation had a direct mail campaign that included requests for contributions as well as program components and incurred joint costs of \$95,000. These joint costs were allocated \$53,502 to the education program and \$41,498 to fundraising.

NOTE 8: RELATED PARTY TRANSACTIONS

During the fiscal year ended September 30, 2023, the Foundation received contributions of approximately \$58,000 from staff and Board members.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: LEASE COMMITMENTS AND SUBSEQUENT EVENT

The Foundation has lease agreements for office space and equipment. Lease expense incurred was approximately \$47,000 during the fiscal year ended September 30, 2023 for the office lease, which expired in August 2023 and continued on a month-to-month basis. In October 2023, the Foundation executed a new office lease for three years at variable payment rates averaging \$4,219 per month.

Lease expense incurred was approximately \$1,000 during the fiscal year ended September 30, 2023 for the equipment lease. As of September 30, 2023, the remaining lease term for the Foundation's equipment lease was 2 years.

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right of use (ROU) assets represent the Foundation's right to use underlying assets for the lease term, and the lease obligation represent the Foundation's obligation to make lease payments arising from these leases. The ROU asset and lease obligation, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The incremental borrowing rate applied to calculate lease obligation as of September 30, 2023 was 5%.

Remaining lease commitments for the equipment lease as of fiscal years ending September 30 are as follows:

2024	\$1,273
2025	<u>1,273</u>
	2,546
Less: present value discount	<u>(68)</u>
	2,478
Less: current portion	<u>(1,221)</u>
	<u>\$1,257</u>

As of September 30, 2023, right of use assets related to operating leases were as follows:

Cost	\$3,956
Less: accumulated amortization	<u>(1,478)</u>
	<u>\$2,478</u>

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Subject to purpose restrictions at September 30, 2023:

General Research	\$82,027
Patient Symposium	36,045
Richard Allen Research Fund	24,480
Bob Waterman Research Fund	11,000
RLS Children's Program	10,000
XenoPort/Arbor grants	9,728
Quality Care Centers	<u>4,884</u>
	<u>\$178,164</u>

Satisfaction of purpose restrictions during the fiscal year ended September 30, 2023:

General Research	\$37,840
Patient Symposium	23,261
Canada	21,950
XenoPort/Arbor grants	2,036
Public Policy Initiative	<u>856</u>
	<u>\$85,943</u>

NOTE 11: REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Foundation's revenue based on the timing of satisfaction of performance obligations for the fiscal year ended September 30, 2023:

Performance obligations satisfied at a point in time	<u>\$19,895</u>
--	-----------------

Revenue recognized at a point of time includes client registration fees for events, which is recognized when control of the services transfers to the customer. Typically, control of the service is deemed to transfer at the date at which the customer received the benefit from the event. The Foundation does not have revenue from contracts with customers that is recognized over time.

CONTRACT BALANCES

Contract liabilities consist of the Foundation's obligation to hold events for customers for which the Foundation has received consideration in advance of the event. These amounts are

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11: REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

included in deferred revenue on the statement of financial position. Balances of contract liabilities at September 30 were as follows:

	<u>2022</u>	<u>2023</u>
Deferred event revenue	<u>\$0</u>	<u>\$16,945</u>

PERFORMANCE OBLIGATIONS

Revenue related to events is recognized when the event or sale has occurred or the service has been performed, in an amount that reflects the consideration the Foundation expects to be entitled to for the exchange, and is recognized using the invoice practical expedient. Payment is typically due upon completion of the services. Transaction prices vary depending the nature of the event, sale or service provided.

NOTE 12: QUALITY CARE CENTERS

To help address the challenges related to treating RLS, the Foundation manages a program to certify RLS Quality Care Centers. The Quality Care Centers, which are independently owned and operated, 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. To achieve certification, the centers and clinicians undergo review by the Foundation's Scientific and Medical Advisory Board. Service providers must demonstrate a high level of expertise and experience in management of RLS patients with a wide range of complex and comorbid conditions associated with the disease. Quality Care Centers are renowned for outstanding performance in the field.

RLS Quality Care Centers are recognized locations:

- where leading RLS specialists are staffed and available for RLS sufferers;
- that serve as information and referral sources for regional support groups for primary care providers that treat patients with RLS;
- that promote understanding of the patient and family role in quality care improvement through educational offerings and printed material;
- that share information with other care centers to improve clinical best practices;
- that partner with Foundation on quality improvement projects to raise the standard of care for patients everywhere.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13: CHANGE IN ACCOUNTING PRINCIPLE

Effective October 2022, the Foundation adopted Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusions under limited scope limitations. Under ASU 2016-02, an entity recognizes ROU assets and lease obligations on its statement of financial position for all leases with a lease term of more than 12 months.

Short-term rentals under year-to-year leases or remaining lease terms of 12 months or less are exempt from being capitalized.

In adopting the new lease standard, the Foundation elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, October 1, 2022, in lieu of applying the standard retrospectively. On October 1, 2022, the Foundation recorded in its October 1, 2022 statement of financial position a ROU asset and lease obligation for operating leases in the amount of \$3,665.