



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

RESTLESS LEGS SYNDROME FOUNDATION, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

SEPTEMBER 30, 2020



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Restless Legs Syndrome Foundation, Inc.

We have audited the accompanying financial statements of the Restless Legs Syndrome Foundation, Inc. (Foundation), which comprise the statement of financial position as of September 30, 2020 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.

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 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 of 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 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 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 Foundation as of September 30, 2020, 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.

Montemayor Britton Bender PC

December 15, 2020
Austin, Texas

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RESTLESS LEGS SYNDROME FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

ASSETS

Current assets

Cash and cash equivalents	\$274,682
Investments	399,777
Prepays and security deposit	<u>12,066</u>
	686,525

Long-term investments

<u>31,852</u>
<u>\$718,377</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$45,462
Accrued payroll liabilities	25,738
Grants payable	9,000
Deferred revenue	2,495
Current maturities of notes payable	<u>1,493</u>
	84,188

Long-term notes payable

<u>192,034</u>
<u>276,222</u>

Net assets

Without donor restrictions	239,346
With donor restrictions - purpose restrictions	<u>202,809</u>
	<u>442,155</u>
	<u>\$718,377</u>

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$600,120	\$139,170	\$739,290
Membership dues	149,822	0	149,822
Other income	5,872	0	5,872
Net assets released from restrictions	<u>72,503</u>	<u>(72,503)</u>	<u>0</u>
	<u>828,317</u>	<u>66,667</u>	<u>894,984</u>
EXPENSES			
Program services:			
Education	352,888	0	352,888
Membership	198,622	0	198,622
Research	46,873	0	46,873
Support Groups	<u>33,933</u>	<u>0</u>	<u>33,933</u>
	632,316	0	632,316
Administrative	76,135	0	76,135
Fundraising	<u>72,351</u>	<u>0</u>	<u>72,351</u>
	<u>780,802</u>	<u>0</u>	<u>780,802</u>
CHANGE IN NET ASSETS	47,515	66,667	114,182
BEGINNING NET ASSETS	<u>191,831</u>	<u>136,142</u>	<u>327,973</u>
ENDING NET ASSETS	<u><u>\$239,346</u></u>	<u><u>\$202,809</u></u>	<u><u>\$442,155</u></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, 2020

	<u>Program Services</u>						
	<u>Education</u>	<u>Membership</u>	<u>Research</u>	<u>Support Groups</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salary and related	\$62,175	\$99,518	\$22,464	\$28,999	\$24,395	\$5,780	\$243,331
Campaigns and appeals	82,211	0	0	0	0	52,695	134,906
Community awareness	88,394	0	0	207	0	0	88,601
Member services	9,556	69,369	1,522	1,667	5,075	1,150	88,339
Outreach programs	60,533	0	0	0	0	0	60,533
Professional fees	10,173	10,173	0	0	37,787	0	58,133
Occupancy	33,062	9,446	472	472	2,834	945	47,231
Grants	0	0	19,176	0	0	0	19,176
State registration costs	0	0	0	0	0	11,265	11,265
Office equipment and supplies	2,748	4,398	993	1,282	1,078	255	10,754
Board of Directors and staff expenses	1,754	2,065	1,422	242	2,673	48	8,204
Subscriptions	1,349	2,159	487	629	529	126	5,279
Insurance	933	1,494	337	435	366	87	3,652
Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,398</u>	<u>0</u>	<u>1,398</u>
	<u>\$352,888</u>	<u>\$198,622</u>	<u>\$46,873</u>	<u>\$33,933</u>	<u>\$76,135</u>	<u>\$72,351</u>	<u>\$780,802</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$114,182
Unrealized (gain)/loss	3,304
Change in prepaids and security deposit	(10)
Change in accounts payable	21,864
Change in accrued payroll liabilities	1,980
Change in grants payable	(20,249)
Change in deferred revenue	<u>2,495</u>
	<u>123,566</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Sales of investments	228,824
Purchases of investments	<u>(467,159)</u>
	<u>(238,335)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from notes payable	<u>193,527</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS 78,758

BEGINNING CASH AND CASH EQUIVALENTS 195,924

ENDING CASH AND CASH EQUIVALENTS \$274,682

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 its victims. The Foundation is supported mainly by membership contributions, additional contributions from the public, and corporate grants.

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

- Membership- the Foundation distributes quarterly news magazines to members and monthly online e-newsletter 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 10).
- 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, certificates of deposit and money market funds carried at fair value.

CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

Contributions, including promises to give, are recorded as made. 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 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.

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. All assets are depreciated over their estimated useful lives, using the straight-line method.

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.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. During the fiscal year ended September 30, 2020, the Foundation incurred unrelated business income tax of approximately \$1,400 related to advertising income earned during the previous fiscal year. Management has determined that the Foundation has no unrelated business income during the fiscal year ended September 30, 2020. The Foundation's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At September 30, 2020, no interest and penalties have been or are required to be accrued.

SUBSEQUENT EVENTS

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

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 fundraising, member services, professional fees, and Board of Directors and staff expenses, which are allocated based on management's review and analysis of individual transactions and accounts.

NOTE 3: 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 expense for the fiscal year ended September 30, 2020 was approximately \$20,000.

NOTE 4: INVESTMENTS

Fixed income	\$323,045
Corporate bonds	31,852
Mutual funds	<u>76,732</u>
	<u>\$431,629</u>

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE DISCLOSURES

	<u>Amount</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	<u>\$431,629</u>	<u>\$399,777</u>	<u>\$31,852</u>	N/A

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

NOTE 6: 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	\$274,682
Current investments	399,777
Less: donor restrictions	(202,809)
Less: grants payable	<u>(9,000)</u>
	<u>\$462,650</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.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Subject to purpose restrictions at September 30, 2020:

General research	\$75,467
Canada	21,950
XenoPort/Arbor grants	15,217
Patient Odyssey	30,166
Quality Care Centers	4,384
Patient Symposium	<u>55,625</u>
	<u>\$202,809</u>

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Satisfaction of purpose restrictions during the fiscal year ended September 30, 2020:

General research	\$18,000
Physician's webinar	10,061
XenoPort/Arbor grants	1,450
Patient Odyssey	10,834
Patient Symposium	10,233
Public policy initiative	<u>21,925</u>
	<u>\$72,503</u>

NOTE 8: LEASE COMMITMENTS

The Foundation has lease agreements for office space and equipment. Lease expense incurred under these agreements was approximately \$47,000 during the fiscal year ended September 30, 2020. Future minimum lease payments for the fiscal years ending September 30 are as follows:

2021	\$44,187
2022	51,281
2023	<u>42,734</u>
	<u>\$138,202</u>

NOTE 9: NOTES PAYABLE

On May 14, 2020, the Foundation received loan proceeds of \$43,527 from the Small Business Administration (through Bank of America) as part of *Coronavirus Aid, Relief, and Economic Security Act's* Paycheck Protection Plan. The loan is unsecured, nonrecourse, accrues interest at 1% per annum for a two-year term. Under the terms of the loan, a portion or all of the loan and the accrued interest is forgivable to the extent that the loan proceeds are used to fund qualifying payroll, rent, and utilities during a designated period determined by the Small Business Administration. The Foundation believes that they have met the forgiveness terms of the Paycheck Protection Plan loan program and used the funds on qualifying expenses during the designated period but is still waiting for the applicable loan forgiveness application to be made available by Bank of America. The Foundation may apply for forgiveness 60 days after the funding date of the loan. If forgiveness is not received, the lender will establish the payment terms, with the full balance of the loan, including interest, to be due in full two years after the funding date of the loan.

RESTLESS LEGS SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: NOTES PAYABLE (CONTINUED)

On May 21, 2020, the Foundation received a \$150,000 Economic Injury Disaster Loan. The loan is secured by the Foundation's deposit accounts, and accrues interest at 2.75% per annum for a 30-year term. The note is payable in monthly installments of principal and interest of \$641, with the payments beginning one-year from the date of the note. The loan can be prepaid at any time without penalties and no interest would be incurred if the loan funds are paid in full within the initial 12 months.

Future long-term debt payments for the EIDL as of September 30, 2020 are as follows:

2021	\$1,493
2022	3,672
2023	3,738
2024	3,860
2025	3,968
Thereafter	<u>133,269</u>
	<u>\$150,000</u>

NOTE 10: 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 11: RELATED PARTY TRANSACTIONS

During the fiscal year ended September 30, 2020, the Foundation received contributions of approximately \$113,000 from staff and Board members.

NOTE 12: CONCENTRATIONS

At September 30, 2020, the Foundation held cash balances in excess of FDIC insurance of approximately \$13,000. The Foundation has not experienced any losses due to this credit risk.

During the fiscal year ended September 30, 2020, grants received from one organization represented 12% of total revenue.

NOTE 13: CHANGE IN ACCOUNTING PRINCIPLE

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. The Foundation has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. ASU 2018-08 was applied using the modified prospective basis as of October 1, 2019.