

Epilepsy Foundation of America (dba Epilepsy Foundation)

Audited Consolidated Financial Statements,
Other Financial Information and
Uniform Guidance Supplemental Reports

*Years ended June 30, 2020 and 2019
with Report of Independent Auditors*

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Audited Consolidated Financial Statements,
Other Financial Information and
Uniform Guidance Supplemental Reports

Years ended June 30, 2020 and 2019

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Report of Independent Auditors

Board of Directors
Epilepsy Foundation of America (dba Epilepsy Foundation)
Landover, Maryland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Epilepsy Foundation of America (dba Epilepsy Foundation) (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 over financial reporting. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2020 and 2019 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 29 as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
November 3, 2020

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statements of Financial Position

	June 30,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 9,990,417	\$ 1,443,337
Cash and cash equivalents - restricted	766,778	1,259,045
Investments	7,548,311	8,325,829
Contributions receivable, net	1,130,170	1,595,917
Government grants receivable	448,228	838,991
Due from affiliates	65,717	86,746
Prepaid expenses	374,070	228,709
Inventory	28,159	28,159
Fixed assets, net	751,855	795,621
Deferred rent asset	39,086	136,106
Beneficial interest in perpetual trusts	5,128,274	5,421,297
Beneficial interest in assets held by a community foundation	32,235	33,114
Total assets	\$ 26,303,300	\$ 20,192,871
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,263,506	\$ 1,936,125
Grants payable	2,405,210	1,092,944
Refundable advances	773,637	-
Deferred revenue	-	79,483
Paycheck Protection Program loan payable	2,001,450	-
Total liabilities	6,443,803	3,108,552
Net assets:		
Without donor restrictions	11,470,741	6,063,298
With donor restrictions	8,388,756	11,021,021
Total net assets	19,859,497	17,084,319
Total liabilities and net assets	\$ 26,303,300	\$ 20,192,871

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 19,066,300	\$ 2,106,948	\$ 21,173,248
Inherent contributions from acquisitions	379,814	-	379,814
Government grants	4,056,968	-	4,056,968
Affiliate fees	350,639	-	350,639
Sales of materials, net of direct expenses of \$0	12,479	-	12,479
Special events, net of direct expenses of \$1,356,598	1,837,510	136,548	1,974,058
Investment loss, net	(13,441)	-	(13,441)
Miscellaneous revenue	162,444	-	162,444
Donated clothing poundage revenue	618,483	-	618,483
Change in value of beneficial interests in trust	19,889	(298,991)	(279,102)
Total revenue	26,491,085	1,944,505	28,435,590
Net assets released from donor restrictions	4,576,770	(4,576,770)	-
Total revenue	31,067,855	(2,632,265)	28,435,590
Expenses			
Program services:			
Research, Innovation and New Therapies	3,763,878	-	3,763,878
Public Health, Education and Awareness	5,199,760	-	5,199,760
Advocacy and Services for Individuals, Families and Communities	12,236,626	-	12,236,626
Total program services	21,200,264	-	21,200,264
Supporting services:			
Administrative	1,780,315	-	1,780,315
Fundraising	2,679,833	-	2,679,833
Total supporting services	4,460,148	-	4,460,148
Total expenses	25,660,412	-	25,660,412
Change in net assets	5,407,443	(2,632,265)	2,775,178
Net assets, beginning of year	6,063,298	11,021,021	17,084,319
Net assets, end of year	\$ 11,470,741	\$ 8,388,756	\$ 19,859,497

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 8,211,029	\$ 2,108,960	\$ 10,319,989
Inherent contributions from acquisitions	272,794	49,495	322,289
Government grants	3,837,368	-	3,837,368
Other contract revenue	882,339	-	882,339
Affiliate fees	461,030	-	461,030
Contributed services and materials	53,106	-	53,106
Sales of materials, net of direct expenses of \$3,911	14,300	-	14,300
Special events, net of direct expenses of \$1,647,759	2,464,603	764,702	3,229,305
Investment income, net	629,918	907	630,825
Miscellaneous revenue	402,177	-	402,177
Donated clothing poundage revenue	610,565	-	610,565
Change in value of beneficial interests in trusts	<u>(17,580)</u>	<u>277,558</u>	<u>259,978</u>
Total revenue	17,821,649	3,201,622	21,023,271
Net assets released from donor restrictions	<u>4,394,024</u>	<u>(4,394,024)</u>	<u>-</u>
Total revenue	22,215,673	(1,192,402)	21,023,271
Expenses			
Program services:			
Research, Innovation and New Therapies	3,475,029	-	3,475,029
Public Health, Education and Awareness	4,285,620	-	4,285,620
Advocacy and Services for Individuals, Families and Communities	<u>11,774,250</u>	<u>-</u>	<u>11,774,250</u>
Total program services	19,534,899	-	19,534,899
Supporting services:			
Administrative	1,582,926	-	1,582,926
Fundraising	<u>2,404,418</u>	<u>-</u>	<u>2,404,418</u>
Total supporting services	<u>3,987,344</u>	<u>-</u>	<u>3,987,344</u>
Total expenses	<u>23,522,243</u>	<u>-</u>	<u>23,522,243</u>
Change in net assets	(1,306,570)	(1,192,402)	(2,498,972)
Net assets, beginning of year	<u>7,369,868</u>	<u>12,213,423</u>	<u>19,583,291</u>
Net assets, end of year	<u>\$ 6,063,298</u>	<u>\$ 11,021,021</u>	<u>\$ 17,084,319</u>

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Functional Expenses

Year ended June 30, 2020

	Program Services				Supporting Services			Total Expenses
	Research, Innovation and New Therapies	Public Health, Education and Awareness	Advocacy and Services for Individuals, Families and Communities	Total Program Services	Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 781,612	\$ 1,832,660	\$ 5,257,984	\$ 7,872,256	\$ 894,565	\$ 996,873	\$ 1,891,438	\$ 9,763,694
Temporary personnel	237	333	791	1,361	39,523	171	39,694	41,055
Employee benefits	191,903	406,091	1,230,740	1,828,734	207,563	259,546	467,109	2,295,843
Total salary and benefit expenses	973,752	2,239,084	6,489,515	9,702,351	1,141,651	1,256,590	2,398,241	12,100,592
Special event expenses	-	964,071	-	964,071	-	392,527	392,527	1,356,598
Professional fees and consultants	800,827	1,496,425	1,586,052	3,883,304	257,801	525,425	783,226	4,666,530
Membership	5,413	10,226	27,162	42,801	8,293	5,634	13,927	56,728
Supplies and materials	7,531	563,232	90,403	661,166	9,659	235,290	244,949	906,115
Telephone	17,169	31,413	113,521	162,103	9,111	14,733	23,844	185,947
Postage and shipping	3,490	163,122	40,692	207,304	3,305	69,819	73,124	280,428
Occupancy	120,542	205,370	424,886	750,798	67,634	99,921	167,555	918,353
Equipment maintenance	26,004	157,203	71,076	254,283	111,495	247,169	358,664	612,947
Printing and publications	18,527	54,399	129,749	202,675	1,635	51,189	52,824	255,499
Travel and meetings	116,324	133,767	768,990	1,019,081	6,348	102,843	109,191	1,128,272
Payments to affiliates	-	-	502,157	502,157	-	-	-	502,157
Awards and grants	1,584,994	-	1,870,970	3,455,964	-	-	-	3,455,964
Miscellaneous	2,891	31,287	3,772	37,950	124,932	13,367	138,299	176,249
Depreciation and amortization	86,414	114,232	117,681	318,327	38,451	57,853	96,304	414,631
	2,790,126	3,924,747	5,747,111	12,461,984	638,664	1,815,770	2,454,434	14,916,418
Total expenses by function	3,763,878	6,163,831	12,236,626	22,164,335	1,780,315	3,072,360	4,852,675	27,017,010
Less expenses included with revenues on the consolidated statement of activities:								
Special event expenses	-	(964,071)	-	(964,071)	-	(392,527)	(392,527)	(1,356,598)
Total expenses included in the expense section on the consolidated statement of activities	\$ 3,763,878	\$ 5,199,760	\$ 12,236,626	\$ 21,200,264	\$ 1,780,315	\$ 2,679,833	\$ 4,460,148	\$ 25,660,412

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Functional Expenses

Year ended June 30, 2019

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research, Innovation and New Therapies</u>	<u>Public Health, Education and Awareness</u>	<u>Advocacy and Services for Individuals, Families and Communities</u>	<u>Total Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 761,989	\$ 1,425,325	\$ 4,442,603	\$ 6,629,917	\$ 636,411	\$ 990,222	\$ 1,626,633	\$ 8,256,550
Temporary personnel	8	13	80,771	80,792	31,389	536	31,925	112,717
Employee benefits	<u>177,149</u>	<u>324,781</u>	<u>1,007,422</u>	<u>1,509,352</u>	<u>140,362</u>	<u>204,709</u>	<u>345,071</u>	<u>1,854,423</u>
Total salary and benefit expenses	<u>939,146</u>	<u>1,750,119</u>	<u>5,530,796</u>	<u>8,220,061</u>	<u>808,162</u>	<u>1,195,467</u>	<u>2,003,629</u>	<u>10,223,690</u>
Special event expenses	-	1,121,577	-	1,121,577	-	526,182	526,182	1,647,759
Professional fees and consultants	167,180	1,270,416	2,353,601	3,791,197	412,432	276,573	689,005	4,480,202
Contributed services	-	-	-	-	53,106	-	53,106	53,106
Membership	4,841	3,456	20,980	29,277	1,850	3,034	4,884	34,161
Supplies and materials	12,842	415,410	152,148	580,400	10,625	190,946	201,571	781,971
Telephone	16,367	27,525	93,140	137,032	8,172	14,944	23,116	160,148
Postage and shipping	5,237	183,094	54,612	242,943	4,647	80,577	85,224	328,167
Occupancy	100,009	124,046	422,786	646,841	47,024	97,082	144,106	790,947
Equipment maintenance	39,472	189,895	51,945	281,312	47,938	280,728	328,666	609,978
Printing and publications	20,025	118,253	191,975	330,253	9,738	34,431	44,169	374,422
Travel and meetings	293,988	129,592	1,079,120	1,502,700	42,617	163,091	205,708	1,708,408
Payments to affiliates	-	-	482,634	482,634	-	-	-	482,634
Awards and grants	1,810,407	-	1,196,459	3,006,866	-	-	-	3,006,866
Miscellaneous	3,599	979	8,251	12,829	110,914	30,109	141,023	153,852
Depreciation and amortization	<u>61,916</u>	<u>72,835</u>	<u>135,803</u>	<u>270,554</u>	<u>25,701</u>	<u>37,436</u>	<u>63,137</u>	<u>333,691</u>
	<u>2,535,883</u>	<u>3,657,078</u>	<u>6,243,454</u>	<u>12,436,415</u>	<u>774,764</u>	<u>1,735,133</u>	<u>2,509,897</u>	<u>14,946,312</u>
Total expenses by function	<u>3,475,029</u>	<u>5,407,197</u>	<u>11,774,250</u>	<u>20,656,476</u>	<u>1,582,926</u>	<u>2,930,600</u>	<u>4,513,526</u>	<u>25,170,002</u>
Less expenses included with revenues on the consolidated statement of activities:								
Special event expenses	<u>-</u>	<u>(1,121,577)</u>	<u>-</u>	<u>(1,121,577)</u>	<u>-</u>	<u>(526,182)</u>	<u>(526,182)</u>	<u>(1,647,759)</u>
Total expenses included in the expense section on the consolidated statement of activities	<u>\$ 3,475,029</u>	<u>\$ 4,285,620</u>	<u>\$ 11,774,250</u>	<u>\$ 19,534,899</u>	<u>\$ 1,582,926</u>	<u>\$ 2,404,418</u>	<u>\$ 3,987,344</u>	<u>\$ 23,522,243</u>

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statements of Cash Flows

	Years ended June 30,	
	2020	2019
Cash flow from operating activities		
Net change in net assets	\$ 2,775,178	\$ (2,498,972)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation & amortization	414,631	333,691
Change in allowance for doubtful accounts	46,549	48,549
Net realized and unrealized loss (gain) on investments	247,853	(383,357)
Change in beneficial interest in perpetual trusts	293,023	(268,318)
Change in beneficial interest in assets held by a community foundation	879	(3,150)
Inherent contributions from acquisitions	(379,814)	(322,289)
Changes in operating assets and liabilities:		
Contributions receivable	477,378	(30,019)
Government grants receivable	390,763	(427,202)
Due from affiliates	21,029	38,520
Prepaid expenses	(136,922)	114,420
Inventory	-	(2,977)
Deferred rent	97,020	93,998
Accounts payable and accrued liabilities	(682,623)	698,446
Grants payable	1,312,266	468,148
Deferred revenue	(79,483)	(20,929)
Refundable advances	773,637	-
Net cash flows provided by (used in) operating activities	5,571,364	(2,161,441)
Cash flow from investing activities		
Purchase of property and equipment	(370,866)	(446,766)
Purchase of investments	(480,334)	(388,555)
Proceeds from sale of investments	1,010,000	384,065
Investments acquired from acquisitions	302,166	193,521
Cash acquired from acquisitions	6,465	138,535
Property and equipment acquired from acquisitions	14,568	-
Net cash provided by (used in) investing activities	481,999	(119,200)
Cash flow from financing activities		
PPP loan proceeds	2,001,450	-
Proceeds from line of credit	915,195	-
Payments on line of credit	(915,195)	-
Net cash provided by financing activities	2,001,450	-
Net change in cash and cash equivalents	8,054,813	(2,280,641)
Cash and cash equivalents, beginning of year	2,702,382	4,983,023
Cash and cash equivalents, end of year	\$ 10,757,195	\$ 2,702,382
Cash and cash equivalents:		
Cash	\$ 9,990,417	\$ 1,443,337
Cash and cash equivalents - restricted	766,778	1,259,045
	\$ 10,757,195	\$ 2,702,382

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements

Years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies and General Information

Organization

The Epilepsy Foundation of America (dba Epilepsy Foundation) (the Foundation) is a non-profit organization, incorporated under the laws of the State of Delaware; it was formed to overcome the challenges of living with epilepsy and to accelerate therapies, stop seizures, find cures, and save lives. The accompanying consolidated financial statements include the activities of thirteen local chapters that provide programs, information, and referral services to local communities. In addition, the Foundation is affiliated with multiple separately incorporated foundations that provide local program services. The consolidated financial statements do not include the activities of the affiliates.

During the 2019 fiscal year, the Epilepsy Foundation acquired the Epilepsy Foundation of Arizona (Arizona) and the Epilepsy Foundation Northwest (Northwest). During the 2020 fiscal year, the Epilepsy Foundation acquired the Epilepsy Services of West Central Florida, Inc. (Central Florida). These financial statements include the results of operations subsequent to the effective dates of the acquisitions. See Note 20 for further details regarding these acquisitions.

Epilepsy Foundation fulfills its missions by focusing on the following program areas:

Advocacy and Services for Individuals, Families and Communities - The Foundation is on the front lines helping ensure all people living with epilepsy and seizures, and their families and communities, receive the best possible services and care. The Foundation develops nationwide programs available through its network of nearly 50 local Epilepsy Foundations and can also be found on epilepsy.com. Programs and initiatives focus on engaging parents, children and adults on improving their quality of life. The Foundation also has programs dedicated to ending early death from epilepsy and improving overall wellness. The programs are designed to be culturally and ethnically diverse. The Foundation and its grassroots volunteers across the country advocate at the federal and state levels to secure funding for epilepsy programs.

Public Health, Education and Awareness - The Foundation leads the fight to end epilepsy by creating awareness through national media outreach with traditional and digital channels including epilepsy.com and social media and through the direct mail program which serves the dual purpose of raising funds for the organization and increasing awareness of the Foundation's cause. The Foundation educates about seizure recognition and first aid, emphasizing the importance of early and accurate diagnosis, when to seek specialty care, and pursuit of wellness and best quality of life. The Foundation educates through engagement with media sources, partnerships with other non-profit, professional and government organizations. The Foundation's Epilepsy Learning Healthcare System Network is a public health initiative to drive quality improvement and health services research to improve outcomes for people with epilepsy.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies and General Information (Continued)

Organization (continued)

Research, Innovation, and New Therapies - Bringing innovative new therapies in a timeframe that matters is a driving force and key strategic priority for the Foundation. Through the Epilepsy Therapy Project, The Foundation accelerates development of innovative therapies, prevention, and cures for all forms of the epilepsies, and addresses gaps in the research and commercialization continuum. Other key initiatives include research to eradicate SUDEP, analysis of data from patient registries for common and rare forms of epilepsy in the Human Epilepsy Project and the Rare Epilepsy Network, support for promising and meritorious research grant and fellowship applications.

Basis of presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with generally accepted accounting principles in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*.

Principles of consolidation

These financial statements include the accounts of the Epilepsy Foundation, the Epilepsy Research Foundation, Utah, Oklahoma, Arizona, Northwest, and Central Florida, (collectively, the Foundation) pursuant to GAAP. Under GAAP, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the statements of financial position.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact to its operations.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies and General Information (Continued)

Change in accounting principle

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (topic 230): Restricted Cash. ASU 2016-18 requires a statement of cash flows to explain the change during the period in the total amount of cash, cash equivalents, restricted cash and restricted cash equivalents. Transfers between cash and cash equivalents and restricted cash and restricted cash equivalents are no longer presented on the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the statement of financial position, a reconciliation of the totals in the statement of cash flows to the related captions in the statement of financial position is required on the face of the statement of cash flows or in the notes to the financial statements. The Foundation adopted ASU 2016-18 during the year ended June 30, 2020, with no significant impact to presentation or disclosure.

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The Foundation has implemented ASU 2014-09 and its related amendments and has adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified retrospective basis to all periods presented, with no effect on net assets.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting for Contributions Received and Contributions Made (topic 958). The core principle of ASU 2018-08 is to clarify when the transfer of an asset or the extinguishment of a liability (the transaction) meets the definition of an exchange transaction or a contribution. When the transaction is an exchange transaction, an entity must apply Topic 606, Revenue from Contracts with Customers or other applicable Topics. When the transaction is a contribution, the ASU clarifies when the contribution is conditional and when revenue should be recognized. The Foundation has implemented ASU 2018-08 using a modified prospective basis, with no effect on net assets.

Cash and cash equivalents

The Foundation considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents. Money market funds held by investment managers in the amount of \$1,829,130 and \$187,357 for the years ended June 30, 2020 and 2019, respectively, have been included in investments in the statements of financial position.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies and General Information (Continued)

Cash and cash equivalents (continued)

\$766,778 and \$1,259,045 in cash and cash equivalents are contractually restricted for the Care and Cure Institute by the donor as of June 30, 2020 and 2019, respectively.

Investments

Investments are recorded at fair value.

Investment income, net consists of interest and dividends earned from cash, cash equivalents and investments, net of related investment management expenses, along with the change in fair value of investments including gains and losses realized upon sales and unrealized resulting from fluctuations in market values of investments.

Receivables

Contributions receivable are recorded at the present value of their estimated future cash flows. Government grants receivables are recorded at their net realizable value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Fixed assets

Fixed assets are stated at cost. Fixed assets costing in excess of \$1,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes

Both the Epilepsy Foundation and the Epilepsy Research Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered to be private foundations. Utah, Oklahoma, and Central Florida are disregarded entities for tax purposes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

For the years ended June 30, 2020 and 2019, the Epilepsy Foundation and the Epilepsy Research Foundation have documented their consideration for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Inventory

Inventory consists of publications and educational materials on hand at the end of the year, which are recorded at the lower of cost or net realizable value using the weighted average method of inventory.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies and General Information (Continued)

Beneficial interests in trust

Beneficial interests in trust consist of assets donated directly to the Foundation or placed by the donor in a trust, in which the Foundation has a beneficial interest but is not the sole beneficiary. Beneficial interests in trusts are recorded at fair value based on the underlying value of the percentage share of assets donated to the Foundation when the beneficial interest becomes irrevocable.

Grants payable

Unconditional grant obligations are recognized once an award letter has been approved.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for chapter operations, future projects, and reserves.
- **Net assets with donor restrictions** - Net assets subject to donor-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 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 has been fulfilled, or both.

Revenue Recognition

Contributions and bequests

Contributions are recorded as revenue when an unconditional promise to give is received from the donor. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received prior to meeting the conditions are reported as refundable advances in the consolidated statements of financial position. Contributions with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements. Bequests are recorded as revenue when the associated agreement becomes irrevocable in nature.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies and General Information (Continued)

Contributed services

Contributed services, which are comprised primarily of skilled consulting services, are recorded based on the estimated fair value of the services performed when received as revenue and expense.

Contracts and grants

The Foundation receives funding under grants and contracts from the U.S. government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered conditional contributions and are recorded as income without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Contract and grant income received prior to meeting the conditions are reported as refundable advances in the consolidated statements of financial position.

Donated clothing

Donated clothing is recorded based on the estimated value per pound of the associated clothing when received.

Affiliate fees

The Foundation collects an annual fee from affiliated Foundation chapters. This fee gives the affiliates the right to use the name and logo of the Foundation. Additionally, the Foundation provides a spotlight for the affiliates on its website. These benefits are considered to be one performance obligation for financial statement purposes. Affiliate fees are recorded as revenue during the time period of the Foundation's agreement with the affiliate, which coincides with the affiliate's fiscal year. Affiliate fees are not refundable.

Special events

Special events revenues are considered contributions for financial reporting purposes. Furthermore, certain contributions associated with special events are considered conditional in nature as there is a barrier related to the respective event occurring and a right of release attributable to the donor. Special event revenues received prior to meeting the conditions are reported as refundable advances in the consolidated statements of financial position. Special events revenue is presented net of direct expenses associated with the events.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

1. Summary of Significant Accounting Policies and General Information (Continued)

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function, and therefore, require allocation on a reasonable basis that is consistently applied. Salary and benefit expenses, and certain professional fees and consultants expenses have been allocated on the basis of estimates of time and effort. All other expenses are allocated based on estimated time and expenses incurred across all programs and supporting services.

Fair value

Fair value FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

The Foundation accounts for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

Reclassifications

Certain 2019 balances have been reclassified to conform to the 2020 presentation.

2. Liquidity and Availability of Resources

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

	June 30,	
	2020	2019
Financial assets		
Cash and cash equivalents	\$ 10,757,195	\$ 2,702,382
Investments	7,548,311	8,325,829
Contributions receivable, net	1,130,170	1,595,917
Government grants receivable	448,228	838,991
Due from affiliates	65,717	86,746
Beneficial interest in perpetual trusts	<u>5,160,509</u>	<u>5,454,411</u>
	25,110,130	19,004,276
Less those unavailable for general expenditure within one year		
Net assets with donor restrictions	8,388,756	11,021,021
Board designated net assets	9,509,300	1,509,300
Contributions receivable with a maturity greater than one year	132,845	220,196
Illiquid long term investments	<u>200,000</u>	<u>200,000</u>
	<u>\$ 6,879,229</u>	<u>\$ 6,053,759</u>

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

2. Liquidity and Availability (Continued)

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation is substantially supported by contributions, special events, and Centers for Disease Control and Prevention (CDC) grant income. Both salary and vendor expenses directly attributable to the CDC grant, are generally reimbursed within a month of the expenditure. Due to the seasonable nature of contributions, special events and proceeds from which are used to meet the non-CDC requirements of the organization, the Foundation has access to a line of credit that it may draw upon to meet its obligations. The amount available from the line of credit fluctuates based on the value of the collateralized investments. Alternatively, the Foundation may choose to sell short-term investments.

3. Investments

The fair value of investments consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 1,829,130	\$ 187,357
Common stocks	1,452,505	2,102,302
Mutual and exchange traded funds	3,603,779	5,116,778
Fixed income securities	124,896	388,581
Investment in TCG BDC II, Inc.	176,503	99,989
Investment in Blackstone REIT	161,498	230,822
Investment in Zeto, Inc.	<u>200,000</u>	<u>200,000</u>
Total investments	<u>\$ 7,548,311</u>	<u>\$ 8,325,829</u>

Included in investment (loss) income, net are the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 234,412	\$ 247,468
Unrealized (losses) gains, net	(413,088)	215,293
Realized gains, net	<u>165,235</u>	<u>168,064</u>
Total investment (loss) income, net	<u>\$ (13,441)</u>	<u>\$ 630,825</u>

4. Contributions Receivable

Contributions receivable represent unconditional promises to give and are stated at their fair value based on discounted cash flows. Management has established an allowance for doubtful accounts for those receivables it does not believe to be collectible. During the years ended June 30, 2020 and 2019, the Foundation wrote off \$12,265 and \$7,000, respectively, of contributions receivable.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

4. Contributions Receivable (Continued)

Contributions are due as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 997,325	\$ 1,375,721
One to five years	<u>179,394</u>	<u>268,745</u>
Total	1,176,719	1,644,466
Less: Reserve for uncollectible amounts	<u>(46,549)</u>	<u>(48,549)</u>
Contributions receivable, net	<u>\$ 1,130,170</u>	<u>\$ 1,595,917</u>

5. Related Party Transactions

There are certain amounts due (to) from the affiliates for revenue sharing, affiliate dues, and grants. As of June 30, 2020 and 2019, the affiliates owed the Epilepsy Foundation \$65,717 and \$86,746, respectively. Additionally, as of June 30, 2020 and 2019, the Epilepsy Foundation owed the affiliates \$64,717 and \$44,883, respectively.

Additionally, during the years ended June 30, 2020 and 2019, the Epilepsy Foundation received support of approximately \$740,000 and \$634,000, respectively from members of the Board of Directors.

6. Beneficial Interests in Trust

A summary of the types of irrevocable interest in trusts which the Epilepsy Foundation has recorded are as follows:

- Perpetual Trusts - The Epilepsy Foundation is a beneficiary under several perpetual trusts. While the Epilepsy Foundation cannot spend its interest in the corpus of these perpetual trusts, it does receive annual distributions which can be spent based on the donor's intent. The fair value of the Epilepsy Foundation's interest in the trust assets is recorded as a permanently restricted contribution at the time its interest becomes irrevocable. Changes in the perpetual trust's value are recorded on the consolidated statements of activities as a change in value of split interest agreements. At June 30, 2020 and 2019, the fair value of the perpetual trust investments was \$5,128,274 and \$5,421,297, respectively.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

6. Beneficial Interests in Trust (Continued)

- Pooled Income - The Epilepsy Foundation maintains a pooled income fund. Donors can contribute to the fund and receive the income earned until their death, at which time, the assets are available to the Epilepsy Foundation. Donations to the pooled income fund are recorded at their fair value when received, discounted for the estimated time period until the donor's death. The difference between the fair value of the assets when received and the revenue recognized is recorded as deferred revenue, which is then amortized over the life expectancy of the donors. At June 30, 2020 and 2019, the market value of the pooled income fund investments was \$36,282 and \$36,829, respectively. Furthermore, the related deferred revenue was \$3,415 and \$19,131 as of June 30, 2020 and 2019, respectively.
- Charitable Gift Annuities - Donors contribute assets to the Epilepsy Foundation in exchange for distributions of a fixed amount annually for life. A liability is recorded at the present value of future cash flows expected to be paid to the donor. The difference between the fair value of the assets when received and the related liability is recognized as contribution revenue. At June 30, 2020 and 2019, the market value of the charitable gift annuity investments was \$46,466 and \$65,511, respectively. Furthermore, the related liability was \$76,044 and \$85,467 as of June 30, 2020 and 2019, respectively, which is recorded under accounts payable and accrued liabilities on the consolidated statements of financial position.

7. Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following undesignated and board designated amounts:

	2020	2019
Undesignated	\$ 1,961,441	\$ 4,553,998
Board Designated:		
Chapter operations	1,509,300	1,509,300
Reserves	3,000,000	-
Future projects	5,000,000	-
Total net assets without donor restrictions	\$ 11,470,741	\$ 6,063,298

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Next Generation Therapies Campaign	\$ -	\$ 1,135,727
Care and Cure Institute	247,660	1,553,458
Pooled Income Fund	32,867	356,764
Advocacy and Services for Individuals, Families and Communities	1,228,191	902,735
Education and Awareness	-	95,304
Lizzie Saft Fund	311,329	328,829
Pipeline Conference	219,500	-
Other	<u>21,101</u>	<u>21,101</u>
	2,060,648	4,393,918
Beneficial interest in perpetual trusts (restricted in perpetuity):		
General activities	3,651,705	3,860,365
Individuals or Organizations in Louisville, Kentucky	492,300	520,423
Research	<u>984,269</u>	<u>1,040,509</u>
	5,128,274	5,421,297
Otherwise restricted in perpetuity:		
Beneficial Interest in Assets held by a Community Foundation	32,234	33,114
Research	1,125,600	1,125,600
Education and Awareness	<u>42,000</u>	<u>47,092</u>
	<u>1,199,834</u>	<u>1,205,806</u>
Total net assets with donor restrictions	<u>\$ 8,388,756</u>	<u>\$ 11,021,021</u>

9. Net Assets Released from Restrictions

The following net assets with donor restrictions were released from restrictions by incurring expenses or by the passage of time which satisfied the restricted purposes specified by the donors during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Next Generation Therapies Campaign	\$ 1,139,725	\$ 1,677,972
Advocacy and Services for Individuals, Families and Communities	1,310,427	999,183
Education and Awareness	95,304	412,700
Pooled Income Fund	352,488	-
Care & Cure Institute	1,651,326	1,267,489
Lizzie Saft Fund	27,500	25,000
Other	<u>-</u>	<u>11,680</u>
Total net assets released from restrictions	<u>\$ 4,576,770</u>	<u>\$ 4,394,024</u>

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

10. Lease Commitment

The Foundation leases office space under an operating lease, with a remaining noncancellable term in excess of one year. The lease was amended on July 16, 2018. Rent expense is recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent asset or liability on the consolidated statements of financial position.

As of June 30, 2020 and 2019, there was \$39,086 and \$136,106, respectively, in deferred rent. Rent expense for the years ended June 30, 2020 and 2019 was \$765,290 and \$656,994, respectively.

The Foundation also has operating leases for office space in Arizona, Alabama, District of Columbia, Florida, Iowa, Indiana, Mississippi, California, Ohio, Oklahoma, Nebraska, Maryland, Utah, and West Virginia. These leases have terms expiring between 2020 and 2024.

The future minimum lease payments required under the Foundation's noncancellable operating leases as of June 30, 2020 are approximately as follows:

<u>Year Ending June 30,</u>	
2021	\$ 751,032
2022	607,431
2023	501,786
2024	451,385
2025	449,557
Thereafter	<u>2,094,724</u>
	<u>\$ 4,855,915</u>

11. Contingency

The Foundation receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2020. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

12. Line of Credit

In 2018, the Foundation obtained a \$5,219,000 line of credit with a financial institution. In the event of a withdrawal, certain investments of the Foundation are collateralized against the line of credit. The effective interest rate on the line of credit was 2.68% and 4.90% as of June 30, 2020 and 2019, respectively. There were no amounts outstanding related to the line of credit as of June 30, 2020 and 2019, respectively. Amounts drawn on the line of credit and repaid during the years ended June 30, 2020 and 2019 were \$915,195 and \$0, respectively.

13. Pension Plan

The Foundation has a 401(k) Thrift Plan under which the Foundation contributes four percent of each qualified employee's salary, plus up to a three percent matching contribution after 1000 hours and one year of service. Under the terms of this plan, all employees who meet minimum service and age requirements are eligible to participate. The Foundation's contributions to the pension plan for the years ended June 30, 2020 and 2019 were \$508,855 and \$418,408, respectively.

14. Beneficial Interest in Assets Held by a Community Foundation

As part of the April 2016 merger with Oklahoma, the Foundation acquired assets held by the Oklahoma City Community Foundation for the benefit of the Epilepsy Foundation. When a nonprofit transfers assets to a charitable trust or community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred asset remains with the resource provider.

The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the net asset contributed. These designated funds are valued at \$32,235 and \$33,114 as of June 30, 2020 and 2019, respectively. Changes in the value are recognized in the consolidated statement of activities as "change in value of beneficial interest in trust." Cash distributions are made based on five percent of the average market value of the fund, which will be calculated on a rolling quarter average of the previous 12 quarters.

15. Allocation of Joint Costs

For the years ended June 30, 2020 and 2019, the Foundation incurred joint costs of approximately \$1,422,754 and \$1,284,698, respectively, related to educational information included in its fundraising appeals. Of those costs, \$412,599 and \$372,563, respectively, were allocated to fundraising expenses and \$1,010,155 and \$912,135, respectively, were allocated to Education and Awareness for the years then ended.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

16. Grants Payable

The Foundation awards research grants to researchers based on the merit of proposals submitted to a review committee. Researchers who accept Foundation grants are required to report the amount expended as well as the results and conclusions of their work. The grants are awarded to the universities or other organizations to which the researchers are associated. The amounts owed to universities or other organizations were \$2,405,210 and \$1,092,944 at June 30, 2020 and 2019, respectively. All grants were considered payable within the next fiscal year as of June 30, 2020 and 2019.

17. Fair Value Measurement

In accordance with GAAP, the Foundation has categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the consolidated statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets which the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In accordance with GAAP, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Epilepsy Foundation of America
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Notes to Consolidated Financial Statements (Continued)

17. Fair Value Measurement (Continued)

The table below summarizes, by level within the fair value hierarchy on a recurring basis, the Foundation's investments as of June 30, 2020 and 2019:

	Level 1	Level 2	Level 3	Total June 30, 2020
Asset Class:				
Money market funds	\$ 1,829,130	\$ -	\$ -	\$ 1,829,130
Common stocks	1,452,505	-	-	1,452,505
Mutual and exchange traded funds	3,603,779	-	-	3,603,779
Fixed income securities	-	124,896	-	124,896
Zeto, Inc. convertible note	-	-	200,000	200,000
Beneficial interest in assets held by a community foundation	-	-	32,235	32,235
Beneficial interest in perpetual trusts	-	-	5,128,274	5,128,274
	<u>6,885,414</u>	<u>124,896</u>	<u>5,360,509</u>	<u>12,370,819</u>
Investment in TCG BDC II, Inc. **	-	-	-	176,503
Investment in Blackstone REIT **	-	-	-	161,498
Total	<u>\$ 6,885,414</u>	<u>\$ 124,896</u>	<u>\$ 5,360,509</u>	<u>\$ 12,708,820</u>
				Total
	Level 1	Level 2	Level 3	June 30, 2019
Asset Class:				
Money market funds	\$ 187,357	\$ -	\$ -	\$ 187,357
Common stocks	2,102,302	-	-	2,102,302
Mutual and exchange traded funds	5,116,778	-	-	5,116,778
Fixed income securities	-	388,581	-	388,581
Zeto, Inc. convertible note	-	-	200,000	200,000
Beneficial interest in assets held by a community foundation	-	-	33,114	33,114
Beneficial interest in perpetual trusts	-	-	5,421,297	5,421,297
	<u>7,406,437</u>	<u>388,581</u>	<u>5,654,411</u>	<u>13,449,429</u>
Investment in TCG BDC II, Inc. **	-	-	-	99,989
Investment in Blackstone REIT **	-	-	-	230,822
Total	<u>\$ 7,406,437</u>	<u>\$ 388,581</u>	<u>\$ 5,654,411</u>	<u>\$ 13,780,240</u>

** - Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.

Level 3 financial assets

The Foundation purchased a \$200,000 investment from Zeto, Inc, a private company, during the year ended June 30, 2018. The note will be converted into \$250,000 in shares of Zeto, Inc stock upon the first issuance of Zeto, Inc. stock. The date of conversion is not practically determinable at this time.

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Notes to Consolidated Financial Statements (Continued)

17. Fair Value Measurement (Continued)

Level 3 financial assets (continued)

There were no transfers into or out of Level 3 financial assets during the years ended June 30, 2020 and 2019.

Investments valued using practical expedient

The Foundation invested \$53,155 in TCG BDC II, Inc. during the year-ended June 30, 2018. Additionally, the Foundation invested \$250,000 in the Blackstone REIT during the year-ended June 30, 2019. There were remaining commitments of approximately \$63,000 and \$170,000 for TCG BDC II, Inc., from the Foundation, for future investment in TCG BDC II, Inc, as of June 30, 2020 and 2019, respectively. There is no remaining commitment for the Blackstone REIT.

Non-recurring measurement

Fair value for contributions receivable is assessed on a non-recurring basis in the year multi-year commitments are received. During the years ended June 30, 2020 and 2019, the following fair values were assessed on a non-recurring basis for contributions receivable:

	2020	2019	Level
Contributions receivable	\$ 26,493	\$ 380,362	3

18. Endowment

The Foundation's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. The Foundation authorizes expenditures based on its established endowment spending policy that is consistent with the donor restrictions.

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Notes to Consolidated Financial Statements (Continued)

18. Endowment (Continued)

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Earnings on the endowment funds are appropriated for expenditure during the Foundation's budgeting process, whereby earnings are considered appropriated as earned.

Endowment net asset composition by type of fund as of June 30:

	<u>2020</u>	<u>2019</u>
Donor-restricted endowment funds	\$ 1,199,834	\$ 1,205,806
Beneficial interest in perpetual trusts	<u>5,128,274</u>	<u>5,421,297</u>
Total funds	<u>\$ 6,328,108</u>	<u>\$ 6,627,103</u>

Changes in endowment net assets for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 6,627,103	\$ 6,349,545
Investment (loss) income:		
Investment income	35,042	87,671
Net (depreciation) appreciation	<u>(293,023)</u>	<u>190,794</u>
Total investment (loss) income	<u>(257,981)</u>	<u>278,465</u>
Appropriation of endowment assets	<u>(41,014)</u>	<u>(907)</u>
Endowment net assets, end of year	<u>\$ 6,328,108</u>	<u>\$ 6,627,103</u>

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

18. Endowment (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2020 and 2019, there were no deficiencies. Deficiencies of this type can be the result of unfavorable market fluctuations occurring after the investment of donor restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

The Foundation has interpreted applicable state trust law to allow for spending from underwater endowments in a prudent manner. There were no underwater endowment funds as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in-perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the Foundation's other investments in a manner that is intended to provide a reasonable annual growth of principal with preservation of principal as its primary goal and generation of income as a secondary goal.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation invests in a mixture of cash, equity, fixed income, and alternative funds, with a target of 55% equity, 35% fixed income, and 10% alternative funds. Additionally, the Foundation sets a guideline of a minimum of 40% equity and 25% fixed income, and no more than 10% cash, 70% equity, 50% fixed income, and 20% alternatives.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation tries to maximize the spending objectives of the endowment fund, by spending as much of the investment earnings as prudent and practical in any given year.

19. Contributed Services

During the years ended June 30, 2020 and 2019, the Foundation received \$0 and \$53,106 in donated services primarily consisting of legal and advertising services for which the Foundation would have incurred if not donated to the Foundation.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

20. Acquisition

Listed below is the organization acquired by the Foundation during the year ended June 30, 2020, along with the effective date of the acquisition. The acquisition was approved by Board of Directors of the organization and did not have a formal purchase price.

- Central Florida - Effective February 1, 2020

In accordance with GAAP, the Foundation recorded the excess of assets over liabilities as inherent contribution revenue for all acquisitions occurring during the year ended June 30, 2020. The assets and liabilities of the acquired organizations at the acquisition date, along with the inherent contribution recognized by the Foundation as a result of the acquisition, are listed below:

	<u>Central Florida</u>
Assets:	
Cash and cash equivalents	\$ 6,465
Investments	336,690
Contributions receivable	19,546
Other assets	<u>27,118</u>
Total assets	389,819
Liabilities:	
Accounts payable	<u>10,005</u>
Total liabilities	<u>10,005</u>
Inherent Contribution	<u><u>\$ 379,814</u></u>

21. Fixed Assets

The Foundation's fixed assets as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 918,866	\$ 902,660
Computer software	5,187,451	4,832,790
Leasehold improvements	<u>174,726</u>	<u>174,726</u>
	6,281,043	5,910,176
Less: accumulated depreciation and amortization	<u>(5,529,188)</u>	<u>(5,114,555)</u>
Fixed assets, net	<u><u>\$ 751,855</u></u>	<u><u>\$ 795,621</u></u>

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

22. Paycheck Protection Program (PPP) Loan

On April 20, 2020, the Foundation received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of \$2,001,450 (the PPP Loan). As of June 30, 2020, the Foundation has elected to account for the PPP Loan in accordance with GAAP for debt, and the full loan amount is included as a liability on the consolidated statements of financial position. The PPP Loan bears interest at 1% per annum and matures on April 20, 2022. Payments do not begin until February 2021 and monthly payments and interest will be finalized at that time. To the extent that the proceeds are used to pay for qualified expenses during the 24-week period following the receipt of the PPP Loan and other employment criteria required by the Program have been met by the Foundation, the PPP Loan is subject to forgiveness under the Program, upon the Foundation's request.

23. Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 3, 2020, the date the consolidated financial statements were issued.

Effective October 23, 2020, Epilepsy Ventures Fund LLC (the LLC) was formed as a Delaware limited liability company. The Foundation is the sole member of the LLC. The financial impact of this transaction is not determinable at this time.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

<u>Federal Granting Agency and Program Title</u>	<u>Pass- Through Entity</u>	<u>CFDA Number</u>	<u>Pass- Through to Subrecipients</u>	<u>Expenditures</u>
Department of Human and Health Services - Center for Disease Control: Improving Epilepsy Programs, Services and Outcomes Through Partnerships	N/A	93.850	\$ 199,000	\$ 3,522,560
Total expenditures of federal awards			<u>\$ 199,000</u>	<u>\$ 3,522,560</u>

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Epilepsy Foundation under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. CFR Part 200, Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Foundation has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report of Independent Auditors

Board of Directors
Epilepsy Foundation of America (dba Epilepsy Foundation)
Landover, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Epilepsy Foundation of America (dba Epilepsy Foundation) (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Johnson Lambert LLP".

Vienna, Virginia
November 3, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance

Report of Independent Auditors

Board of Directors
Epilepsy Foundation of America (dba Epilepsy Foundation)
Landover, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Epilepsy Foundation of America's (dba Epilepsy Foundation) (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2020. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to these matters.

The Foundation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

The Foundation's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Johnson Lambert LLP

Vienna, Virginia
November 3, 2020

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for the major program:	Unmodified
Internal control over the major program: Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR.200.516(a)?	Yes
Identification of major program:	

CFDA Number
93.850

Federal Granting Agency and Program Title
Department of Human and Health Services -
Center for Disease Control: Improving Epilepsy
Programs, Services and Outcomes Through
Partnerships

Dollar threshold used to distinguish between Type A and B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters reported.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

Section III - Federal Award Findings and Questioned Costs

Finding 2020-001: Significant Deficiency over Subrecipient Reporting

Information on Federal Award: Department of Human and Health - Center for Disease Control: Improving Epilepsy Programs, Services and Outcomes Through Partnerships

CFDA Number: 93.110

Criteria:

Federal Funding Accountability and Transparency Act (FFATA) reports are required to be filed for subrecipients receiving direct awards in excess of \$25,000 by the end of the month following the month the award is given.

Condition:

The Foundation did not file FFATA reports for 4 subrecipients who were awarded \$25,000 or more within a timely manner.

Questioned Costs:

There were no material questioned costs identified.

Context:

For 2020, the FFATA reports not filed timely represent 100% of the total population of those reports.

Cause:

Due to lack of controls surrounding the monitoring of FFATA reporting for subrecipients.

Effect:

Noncompliance due to failure of filing required FFATA reports.

Repeat finding:

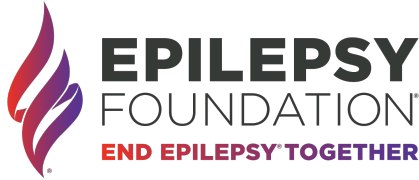
No.

Recommendation:

We recommend management establish a control to identify when FFATA reporting is needed and to ensure the respective reports are filed on a timely basis. This can be done as a part of their existing subrecipient monitoring checklist.

View of Responsible Official and Planned Corrective Action:

Reference is made to Corrective Action Plan on page 38.



Corrective Action Plan
Epilepsy Foundation of America (dba Epilepsy Foundation)
Year Ending June 30, 2020

Financial Statement Findings

There were no reportable findings.

Federal Award Findings and Questioned Costs

Finding 2020-001: Significant Deficiency over Subrecipient Reporting

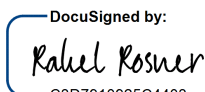
CFDA Number: 93.850

Finding: All direct subrecipient awards in excess of \$25,000 require a Federal Funding Accountability and Transparency Act (FFATA) report to be filed by the end of the month following the month of the award. The Foundation did not file four FFATA reports in a timely manner, which were required to be filed for the year ended June 30, 2020.

Planned Corrective Action: As the Foundation had not previously awarded sub-recipient awards in excess of \$25,000, management did not have FFATA filing procedures in place. Immediately upon the auditors bringing this requirement to management’s attention, management filed the FFATA reports. Additionally, management immediately added this compliance requirement to the existing controls over subrecipient monitoring to ensure necessary reports are filed in a timely manner.

Person Responsible for Corrective Action: Rahel Rosner, Chief Financial and Operating Officer

Planned Completion Date: Implemented

DocuSigned by:

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Rahel Rosner
Chief Financial and Operating Officer