

Citizens United for Research in Epilepsy

Audited Financial Statements,  
Supplementary Information, and  
Uniform Guidance Reports

*Years ended December 31, 2020 and 2019  
with Report of Independent Auditors*

Citizens United for Research in Epilepsy

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Supplementary Information, and  
Uniform Guidance Reports

Years ended December 31, 2020 and 2019

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## Report of Independent Auditors

Board of Directors  
Citizens United for Research in Epilepsy  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Citizens United for Research in Epilepsy (CURE Epilepsy) which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens United for Research in Epilepsy as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 15 is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

**Reporting on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of CURE Epilepsy'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 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 CURE Epilepsy'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 with large loops and flourishes.

Park Ridge, Illinois  
March 19, 2021

Citizens United for Research in Epilepsy

Statements of Financial Position

December 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 4,170,943	\$ 345,015	\$ 4,515,958	\$ 4,939,128	\$ -	\$ 4,939,128
Investments	4,437,822	-	4,437,822	4,093,801	168,696	4,262,497
Contributions and grants receivable, net	99,964	1,430,780	1,530,744	206,985	1,634,188	1,841,173
Prepaid expenses and other assets	53,199	-	53,199	58,932	-	58,932
Fixed assets, less accumulated depreciation of \$171,909 in 2020 and \$151,828 in 2019	57,472	-	57,472	57,265	-	57,265
<b>Total Assets</b>	<b>\$ 8,819,400</b>	<b>\$ 1,775,795</b>	<b>\$ 10,595,195</b>	<b>\$ 9,356,111</b>	<b>\$ 1,802,884</b>	<b>\$ 11,158,995</b>
<b>Liabilities and Net Assets</b>						
Liabilities						
Accounts payable and accrued expenses	\$ 134,299	\$ -	\$ 134,299	\$ 359,136	\$ -	\$ 359,136
Grants payable	1,798,527	-	1,798,527	951,959	-	951,959
Refundable advance	1,849,485	-	1,849,485	2,967,463	-	2,967,463
Paycheck Protection Program (PPP) Loan	236,600	-	236,600	-	-	-
Total Liabilities	4,018,911	-	4,018,911	4,278,558	-	4,278,558
Net Assets	4,800,489	1,775,795	6,576,284	5,077,553	1,802,884	6,880,437
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,819,400</b>	<b>\$ 1,775,795</b>	<b>\$ 10,595,195</b>	<b>\$ 9,356,111</b>	<b>\$ 1,802,884</b>	<b>\$ 11,158,995</b>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statements of Activities and Changes in Net Assets

Years ended December 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Contributions						
Foundations	\$ 370,277	\$ 125,700	\$ 495,977	\$ 286,332	\$ -	\$ 286,332
Corporate	140,688	119,136	259,824	161,787	-	161,787
Individuals	528,325	433,016	961,341	732,312	2,021,218	2,753,530
Other	5,528	-	5,528	4,239	-	4,239
In-kind	241,319	-	241,319	83,210	-	83,210
Special events						
Proceeds	2,196,372	-	2,196,372	2,300,296	-	2,300,296
Expenses	<u>(141,318)</u>	<u>-</u>	<u>(141,318)</u>	<u>(488,723)</u>	<u>-</u>	<u>(488,723)</u>
Net special events	2,055,054	-	2,055,054	1,811,573	-	1,811,573
Federal grant revenue	3,039,412	-	3,039,412	2,252,602	-	2,252,602
Interest and dividends, net investment fees	79,351	-	79,351	150,044	-	150,044
Grants returned	64,747	-	64,747	15,459	-	15,459
Net assets released from restriction	<u>704,941</u>	<u>(704,941)</u>	<u>-</u>	<u>1,304,851</u>	<u>(1,304,851)</u>	<u>-</u>
Total support and revenue	<u>7,229,642</u>	<u>(27,089)</u>	<u>7,202,553</u>	<u>6,802,409</u>	<u>716,367</u>	<u>7,518,776</u>
<b>Expenses</b>						
Program services	6,769,998	-	6,769,998	5,393,538	-	5,393,538
General administration	323,400	-	323,400	430,827	-	430,827
Fundraising	<u>635,769</u>	<u>-</u>	<u>635,769</u>	<u>447,829</u>	<u>-</u>	<u>447,829</u>
Total expenses	<u>7,729,167</u>	<u>-</u>	<u>7,729,167</u>	<u>6,272,194</u>	<u>-</u>	<u>6,272,194</u>
Change in net assets before change in fair value of investments	(499,525)	(27,089)	(526,614)	530,215	716,367	1,246,582
Change in fair value of investments	<u>222,461</u>	<u>-</u>	<u>222,461</u>	<u>342,861</u>	<u>-</u>	<u>342,861</u>
Total change in net assets	(277,064)	(27,089)	(304,153)	873,076	716,367	1,589,443
Net assets, beginning of year	<u>5,077,553</u>	<u>1,802,884</u>	<u>6,880,437</u>	<u>4,204,477</u>	<u>1,086,517</u>	<u>5,290,994</u>
Net assets, end of year	<u>\$ 4,800,489</u>	<u>\$ 1,775,795</u>	<u>\$ 6,576,284</u>	<u>\$ 5,077,553</u>	<u>\$ 1,802,884</u>	<u>\$ 6,880,437</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses

Year ended December 31, 2020

	Program Services				Supporting Services		
	Research	Awareness	Other programs	Total	General Administration	Fundraising	Total
Grants	\$ 4,774,341	\$ -	\$ -	\$ 4,774,341	\$ -	\$ -	\$ 4,774,341
Salaries and wages	678,673	407,431	-	1,086,104	208,232	329,184	1,623,520
Payroll taxes	45,460	28,056	-	73,516	10,633	21,562	105,711
Employee benefits	81,913	48,918	-	130,831	25,951	38,806	195,588
In-kind	101,297	60,380	-	161,677	30,859	48,783	241,319
Professional fees	17,840	7,653	-	25,493	3,912	6,185	35,590
Insurance	6,848	4,082	-	10,930	2,086	3,298	16,314
Printing and publications	5,398	1,787	-	7,185	913	25,026	33,124
Postage	3,412	2,033	-	5,445	1,039	3,811	10,295
Occupancy	38,009	22,656	-	60,665	11,579	18,305	90,549
Telephone	5,993	3,572	-	9,565	1,826	2,886	14,277
Computer, web development and internet	49,957	128,246	-	178,203	10,317	16,560	205,080
Supplies	2,040	1,280	-	3,320	622	1,847	5,789
State registration	7,254	4,324	-	11,578	2,210	3,494	17,282
Subcontractors	2,876	22,249	-	25,125	267	105,266	130,658
Travel, meetings and related	8,021	552	-	8,573	3,959	6,367	18,899
Conferences and functions	2,125	238	-	2,363	122	129,996	132,481
Advocacy and awareness	-	94,978	-	94,978	-	-	94,978
Bank, merchant and investment fees	15,810	9,424	-	25,234	4,816	7,614	37,664
Dues and subscriptions	4,752	571	-	5,323	528	1,729	7,580
Depreciation	7,439	4,434	-	11,873	2,266	3,582	17,721
Fixed asset retirement	991	590	-	1,581	302	477	2,360
EEF	-	-	50,000	50,000	-	-	50,000
Other expenses	3,818	2,277	-	6,095	961	2,309	9,365
Total expenses	5,864,267	855,731	50,000	6,769,998	323,400	777,087	7,870,485
<i>Less expenses included with revenues on the statement of activities and changes in net assets</i>							
<i>Special events</i>	-	-	-	-	-	(141,318)	(141,318)
<i>Total expenses included in the expense section of the statement of activities and changes in net assets</i>	<u>\$ 5,864,267</u>	<u>\$ 855,731</u>	<u>\$ 50,000</u>	<u>\$ 6,769,998</u>	<u>\$ 323,400</u>	<u>\$ 635,769</u>	<u>\$ 7,729,167</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services				Supporting Services		
	Research	Awareness	Other programs	Total	General Administration	Fundraising	Total
Grants	\$ 3,255,271	\$ -	\$ -	\$ 3,255,271	\$ -	\$ -	\$ 3,255,271
Salaries and wages	554,524	340,343	-	894,867	210,135	238,166	1,343,168
Payroll taxes	45,060	25,950	-	71,010	15,664	18,798	105,472
Employee benefits	58,575	37,237	-	95,812	25,263	26,166	147,241
In-kind	25,795	20,803	-	46,598	21,634	14,978	83,210
Professional fees	24,681	141,394	-	166,075	17,393	40,861	224,329
Insurance	4,499	2,761	-	7,260	1,705	2,411	11,376
Printing and publications	6,806	33,772	-	40,578	2,463	36,455	79,496
Postage	4,266	2,319	-	6,585	1,432	19,273	27,290
Occupancy	37,482	23,005	-	60,487	14,204	16,098	90,789
Telephone	5,619	3,449	-	9,068	2,129	2,413	13,610
Computer, web development and internet	53,565	254,869	-	308,434	15,679	17,770	341,883
Supplies	1,954	1,199	-	3,153	741	8,993	12,887
State registration	7,130	4,376	-	11,506	2,702	3,062	17,270
Subcontractors	87,747	53,855	-	141,602	33,251	37,687	212,540
Travel, meetings and related	5,993	3,678	-	9,671	2,270	2,574	14,515
Conferences and functions	123,727	801	-	124,528	440	416,862	541,830
Advocacy and awareness	-	19,998	-	19,998	-	-	19,998
Bank, merchant and investment fees	23,398	14,359	-	37,757	8,865	10,048	56,670
Dues and subscriptions	4,765	2,071	-	6,836	1,279	1,465	9,580
Depreciation	7,239	4,443	-	11,682	2,743	3,109	17,534
Fixed asset retirement	-	-	-	-	48,570	-	48,570
EEF	-	-	50,000	50,000	-	-	50,000
Other expenses	1,200	13,560	-	14,760	2,265	19,363	36,388
Total expenses	4,339,296	1,004,242	50,000	5,393,538	430,827	936,552	6,760,917
<i>Less expenses included with revenues on the statement of activities and changes in net assets</i>							
<i>Special events</i>	-	-	-	-	-	(488,723)	(488,723)
<i>Total expenses included in the expense section of the statement of activities and changes in net assets</i>	<u>\$ 4,339,296</u>	<u>\$ 1,004,242</u>	<u>\$ 50,000</u>	<u>\$ 5,393,538</u>	<u>\$ 430,827</u>	<u>\$ 447,829</u>	<u>\$ 6,272,194</u>

See accompanying notes to the financial statements.



Citizens United for Research in Epilepsy

Statements of Cash Flows

	Years ended December 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (304,153)	\$ 1,589,443
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	17,721	17,534
Realized gain on sale of investments	-	(109)
Disposal of fixed assets	2,360	48,570
Change in fair value of investments	(222,461)	(342,861)
Discount on long-term receivables	(25,787)	65,007
Changes in operating assets and liabilities		
Contributions and grants receivable	336,216	(970,172)
Prepaid expenses and other assets	5,733	(5,749)
Accounts payable and accrued expenses	(224,837)	243,688
Grants payable	846,568	239,860
Refundable advance	(1,117,978)	2,690,769
Net cash (used in) provided by operating activities	<u>(686,618)</u>	<u>3,575,980</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(20,288)	(44,383)
Proceeds from sale of investments	4,503,161	121,486
Purchases of investments	(4,456,025)	(327,806)
Net cash provided by (used in) investing activities	<u>26,848</u>	<u>(250,703)</u>
<b>Cash flows from Financing Activities</b>		
PPP Loan Proceeds	236,600	-
Net cash provided by financing activities	<u>236,600</u>	<u>-</u>
Change in cash and cash equivalents	(423,170)	3,325,277
Cash and cash equivalents, beginning of year	4,939,128	1,613,851
Cash and cash equivalents, end of year	<u>\$ 4,515,958</u>	<u>\$ 4,939,128</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Notes to the Financial Statements

Years ended December 31, 2020 and 2019

**Note A - Nature of Activities**

Citizens United for Research in Epilepsy (CURE Epilepsy) was incorporated in September 1998, as an Illinois not-for-profit corporation. CURE Epilepsy is organized exclusively to stimulate and support medical and scientific research, education, and knowledge in the field of epilepsy and related seizure disorders with the overall objective of finding a cure for such disorders. CURE Epilepsy provides grant funding for research in epilepsy.

**Note B - Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, net assets of CURE Epilepsy 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.

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.

*COVID-19 Risks and Uncertainties*

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. CURE Epilepsy's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on CURE Epilepsy and its employees and vendors. As such, COVID-19 could have a material adverse effect on CURE Epilepsy's financial position in the future. The ultimate duration and impact of the COVID-19 outbreak on CURE Epilepsy's financial position cannot be reasonably estimated at this time.

*Subsequent Events*

CURE Epilepsy has performed an evaluation of subsequent events through March 19, 2021, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes. See Note M for further information regarding subsequent events.

*Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Income Taxes*

CURE Epilepsy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has concluded that CURE Epilepsy has properly maintained its exempt status. The previous three tax years are subject to examination by federal authorities, there are currently no examinations being conducted.

## Citizens United for Research in Epilepsy

### Notes to the Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Cash and Cash Equivalents*

CURE Epilepsy considers money market funds to be cash equivalents. Cash and cash equivalents excludes amounts included in the investment portfolio, which are designated for long-term investment purposes. Throughout the year, CURE Epilepsy may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limits. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

##### *Contributions and Grants Receivable*

Contributions, including unconditional promises to give, and grants are recorded when received. Contributions and grants are considered to be available for unrestricted use unless specifically restricted by donors. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in more than one year are reported at fair value, on a nonrecurring basis, using the present value technique and are determined to be level 2 within the fair value hierarchy. CURE Epilepsy selects a risk-adjusted discount interest rate designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the statement of activities and changes in net assets.

CURE Epilepsy does not maintain an allowance for doubtful accounts for these receivables, however, management does monitor and estimate the amount of any uncollectible balances throughout the year. Management records adjustments as necessary to bad debt expense for uncollectible receivables. These adjustments are reflected in the statements of activities and changes in net assets in the period written off. There has been no bad debt expense recorded for the years ended December 31, 2020 and 2019.

##### *Federal Grant Revenue*

Federal grant revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CURE Epilepsy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. CURE Epilepsy received an advance payment of \$1,849,485 and \$2,967,463 recognized in the statement of financial position as a refundable advance as of December 31, 2020 and 2019, respectively. These amounts have not been recognized as revenue as qualifying expenses have not yet been incurred.

##### *Special Events*

CURE Epilepsy holds special events in which a portion of the gross proceeds paid by participants represent payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to CURE Epilepsy. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to CURE Epilepsy. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than CURE Epilepsy, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by CURE Epilepsy. Special event fees collected by CURE Epilepsy in advance of its delivery are initially recognized as deferred revenue and recognized as special event revenue after delivery of the event. CURE Epilepsy has determined that the inherent contribution of amounts received in advance are conditioned on the event taking place and are therefore treated as a refundable advance along with the exchange component.

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**Note B - Summary of Significant Accounting Policies (Continued)**

*Fixed Assets*

Furniture, fixtures and equipment expenditures of \$750 or more as of December 31, 2020 and \$500 or more as of December 31, 2019, are recorded at cost or at estimated fair value, if donated, at the date of the gift. Donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, fixtures and office equipment are reported as support with donor restriction. Absent donor stipulations regarding how long donated assets must be maintained, CURE Epilepsy reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CURE Epilepsy reclassifies net assets with donor restriction to net assets without donor restriction at that time.

CURE Epilepsy depreciates furniture, fixture and equipment over their estimated useful lives (as of December 31, 2020 three years for equipment, five years for furniture, and the lease term for leasehold improvements and as of December 31, 2019 five years for equipment, seven years for furniture, and the lease term for leasehold improvements) using the straight-line method.

*Investments and Fair Value Measurement*

CURE Epilepsy carries its investments at fair value and reports gains and losses net of related investment fees in the statements of activities and changes in net assets. The fair value of investments are based on quoted market prices at the reporting date.

Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

In accordance with GAAP, CURE Epilepsy prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that CURE Epilepsy 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 for substantially the entire period and market-corroborated inputs.

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

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**Note B - Summary of Significant Accounting Policies (Continued)**

*Grants Payable*

Grant requests are recorded as grants payable once approved by CURE Epilepsy's board of directors. Grants payable is recorded on an annual basis upon notification to the recipient at the time of approval or renewal. As of December 31, 2020, management has determined that the effects of discounting grants payable due beyond one year would be immaterial. As such, as of December 31, 2020, grants payable for future years are not discounted to present value. Amounts expected to be paid over the next two years is as follows:

2021	\$	1,438,639
2022		<u>359,888</u>
	\$	<u><u>1,798,527</u></u>

*Donated Services and Materials*

Donated services and materials are reported as contribution revenue and as assets and expenses only if services and materials create or enhance a nonfinancial asset, require specialized skills and are provided by individuals possessing those skills, are measurable, and would have been purchased if they had not been contributed. Donated services and materials are measured at fair value.

*Functional Allocation of Expenses*

The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Occupancy, depreciation, salaries and wages, employee benefits, payroll taxes, professional fees, office expenses, insurance, and other expenses are allocated on the basis of the head count of employees associated with the conduct of each function.

*Adoption of Accounting Principle*

CURE Epilepsy early adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This accounting standard requires nonfinancial contributed assets, the use of nonfinancial contributed assets, or contributed services meeting the criteria for recording be presented separately from contributions of cash and other financial assets in the statement of activities and changes in net assets. Additionally, disclosure of the programs or activities for which contributed nonfinancial assets or services were used is required. ASU 2020-07 is effective for annual periods beginning after June 15, 2021 with early adoption permitted. CURE Epilepsy early adopted this ASU and applied its provisions retrospectively as required by the standard. There was no impact to the amounts reported in the financial statements as a result of adoption.

**Note C - 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 statement of financial position, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,170,943	\$ 4,939,128
Short-term investments	4,437,822	4,093,801
Contributions and grants receivable	99,964	206,985
Total financial assets available for general expenditure	<u>\$ 8,708,729</u>	<u>\$ 9,239,914</u>

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**Note C - Liquidity and Availability of Resources (Continued)**

As part of its liquidity management plan, CURE Epilepsy invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve.

**Note D - Investments and Fair Value Measurement**

The components of CURE Epilepsy's investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>	<u>Level</u>
Bond mutual funds	\$ -	\$ 2,470,385	1
Equity mutual funds	-	1,729,526	1
Exchange traded funds	4,432,628	-	1
Money market funds	<u>5,194</u>	<u>62,586</u>	N/A
Total investments	<u>\$ 4,437,822</u>	<u>\$ 4,262,497</u>	

At December 31, 2020 and 2019, CURE Epilepsy's investments in mutual and exchange traded funds are measured at fair value based on quoted market prices for identical assets in actively traded markets (Level 1). Money market funds do not meet the definition of securities under accounting standards and accordingly are not subject to the fair value measurement disclosure.

**Note E - Contributions and Grants Receivable**

Receivables at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Receivable due within one year	\$ 644,964	\$ 686,180
Receivable due in one to five years	925,000	1,220,000
Less discount on long-term receivables	<u>(39,220)</u>	<u>(65,007)</u>
Contributions and grants receivables	<u>\$ 1,530,744</u>	<u>\$ 1,841,173</u>

**Note F - Net Assets With Donor Restriction**

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time	\$ 1,160,781	\$ 1,701,540
Subject to specified purpose	<u>615,014</u>	<u>101,344</u>
Total net assets with donor restriction	<u>\$ 1,775,795</u>	<u>\$ 1,802,884</u>

Net assets with donor restrictions subject to both the passage of time and purpose restrictions are released from restriction upon satisfying the last restriction.

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**Note F - Net Assets With Donor Restriction (Continued)**

Net assets are released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows for the year ended December 31:

	2020	2019
Expiration of time	\$ 490,000	\$ 706,906
Satisfaction of purpose	214,941	597,945
Total net assets released from restriction	\$ 704,941	\$ 1,304,851

**Note G - Pension Plan**

CURE Epilepsy sponsors a 403b tax deferred annuity retirement plan which covers substantially all full-time employees. Eligible employees are allowed to participate in the plan by making tax-deferred contributions up to the IRS determined legal limits of the plan and CURE Epilepsy will match up to 3% of employees salaries. Pension expense for the years ended December 31, 2020 and 2019 was \$37,134 and \$28,919, respectively.

**Note H - Commitments**

CURE Epilepsy leases its office space under a non-cancelable lease agreement which expires on September 30, 2030. In addition to the base rent, CURE Epilepsy is also required to pay a proportionate share of building operating and real estate tax expenses. CURE Epilepsy recorded rent expense of \$90,549 and \$90,789 for the years ended December 31, 2020 and 2019, respectively. The future minimum lease payments are as follows:

Fiscal Years Ending December 31,	Minimum Lease Payments
2021	\$ 64,790
2022	66,410
2023	68,070
2024	69,772
2025	71,516
Thereafter	364,956

**Note I - Related Party Transactions**

CURE Epilepsy received \$224,189 and \$2,126,280 in 2020 and 2019, respectively, from CURE Epilepsy's Board of Directors additionally, the statements of financial position include \$1,200,000 and \$1,600,000 in outstanding receivables as of December 31, 2020 and 2019, respectively, from members of CURE Epilepsy's Board of Directors.

**Note J - Federal Grants**

On September 30, 2015, CURE Epilepsy was awarded a federal grant in the amount of \$10,079,500 from the Department of Defense (DOD). This grant is subject to audit under the provisions of the Office of Management and Budget (OMB) Uniform Guidance. The ultimate determination of amounts received from the DOD are based upon the allowance of costs reported to and accepted by the DOD. Therefore, CURE Epilepsy will only recognize revenue for services actually performed for which the DOD has approved in accordance with the grant agreement.

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**Note K - Paycheck Protection Program (PPP) Loan**

On April 20, 2020, CURE Epilepsy 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, in the amount of \$236,600, and is a two year loan with a maturity date of April 20, 2022 (the PPP Loan). The PPP Loan bears an annual interest rate of 1%, and is unsecured and guaranteed by the Small Business Administration (SBA). To the extent that all or part of the PPP Loan is not forgiven, principal and interest payments are deferred ten months after the end of CURE Epilepsy's loan forgiveness covered period. Thereafter, CURE Epilepsy is obligated to make monthly principal and interest payments through the maturity date. As of December 31, 2020, unpaid principal was \$236,600 on the PPP Loan.

To the extent that the proceeds are used to pay qualified expenses, and other employment criteria required by the Program have been met by CURE Epilepsy, the PPP Loan may be subject to forgiveness under the Program upon CURE Epilepsy's request. CURE Epilepsy applied for forgiveness of the PPP Loan with respect to covered expenses and received forgiveness from the SBA on January 20, 2021.

**Note L - In-kind Contributions**

CURE Epilepsy recognized in-kind contributions of \$241,319 and \$83,210 for fiscal years 2020 and 2019, respectively. These non-cash contributions were as follows for the years ended December 31:

<u>Nonfinancial asset</u>	<u>2020</u>	<u>2019</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Professional services - legal	\$ 241,319	\$ 83,210	All program and supporting activities	None	Estimated using current rate of attorney providing the service

**Note M - Subsequent Events**

In February 2021, CURE Epilepsy submitted an application to the SBA, which it approved, for a loan to be made in association with the federally authorized Paycheck Protection Program (Program). The amount of such approved loan is \$290,272. Portions of this loan amount utilized by CURE Epilepsy for qualifying business expenses as authorized by the Program may be eligible for forgiveness.



Citizens United for Research in Epilepsy  
Schedule of Expenditures of Federal Awards  
Year ended December 31, 2020

Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<i>Research and Development Award:</i>				
<b>U.S. Department of Defense</b>				
Military Medical Research and Development: Psychological Health and Traumatic Brian Injury	12.420	N/A	\$ 3,039,412	\$ 2,712,397
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,039,412</u>	<u>\$ 2,712,397</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Citizens United for Research in Epilepsy

Notes to the Schedule of Expenditures of Federal Awards

Year ended December 31, 2020

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of the Citizens United for Research in Epilepsy (CURE Epilepsy). The Schedule is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between CURE Epilepsy and agencies and departments of the federal government and all subawards made to CURE Epilepsy by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

**Note B - Indirect Cost Rate**

CURE Epilepsy has elected to adopt the de-minimis indirect cost rate of 10%.

**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  
Citizens United for Research in Epilepsy  
Chicago, Illinois

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 financial statements of Citizens United for Research in Epilepsy (CURE Epilepsy), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered CURE Epilepsy's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CURE Epilepsy's internal control. Accordingly, we do not express an opinion on the effectiveness of CURE Epilepsy'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 entity's 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 CURE Epilepsy's 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 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 CURE Epilepsy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CURE Epilepsy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Park Ridge, Illinois  
March 19, 2021

**Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance Required by the Uniform Guidance**

Report of Independent Auditors

Board of Directors  
Citizens United for Research in Epilepsy  
Chicago, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited the Citizens United for Research in Epilepsy's (CURE Epilepsy) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. CURE Epilepsy'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, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of CURE Epilepsy'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 (CFR) 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 CURE Epilepsy'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 the major federal program. However, our audit does not provide a legal determination of CURE Epilepsy's compliance.

***Opinion on Major Federal Program***

In our opinion, CURE Epilepsy 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 December 31, 2020.

### **Report on Internal Control Over Compliance**

The management of CURE Epilepsy 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 CURE Epilepsy'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 CURE Epilepsy'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.

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.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the typed address and date.

Park Ridge, Illinois  
March 19, 2021

Citizens United for Research in Epilepsy  
 Schedule of Findings and Questioned Costs  
 Year ended December 31, 2020

**Section I - Summary of Auditors' 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?	None reported
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?	None reported
Any audit findings disclosed that are required to be reported in accordance with CFR.200.516(a)?	No
Identification of major program:	
<u>CFDA Number:</u> 12.420	<u>Name of Federal Program</u>
	Military Medical Research and Development: Psychological Health and Traumatic Brian Injury
Dollar threshold used to distinguish between Type A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None