



Eder, Casella & Co.  
815.344.1300  
www.edercasella.com

***CITIZENS UNITED FOR RESEARCH IN EPILEPSY***

***AUDITED FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED DECEMBER 31, 2022***

**eder, casella & co**

CITIZENS UNITED FOR RESEARCH IN EPILEPSY

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of

Citizens United for Research in Epilepsy  
(a nonprofit organization)

which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Citizens United for Research in Epilepsy as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United State of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Citizens United for Research in Epilepsy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Change in Accounting Principle

As described in Note 15 to the financial statements, the Organization adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens United for Research in Epilepsy's ability to continue as a going concern for one year after the date that the financial statements are issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Citizens United for Research in Epilepsy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens United for Research in Epilepsy's ability to continue as a going concern for a reasonable period of time.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2023 on our consideration of Citizens United for Research in 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 effectiveness of 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 Citizens United for Research in Epilepsy's internal control over financial reporting and compliance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

  
EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
April 11, 2023



INDEPENDENT AUDITOR'S 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

To the 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  
(a nonprofit organization)

which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 April 11, 2023.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Citizens United for Research in Epilepsy's internal control over financial reporting (internal control) to determine 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 Citizens United for Research in Epilepsy's internal control. Accordingly, we do not express an opinion on the effectiveness of Citizens United for Research in 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 Citizens United for Research in 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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eder, Casella & Co.*  
EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
April 11, 2023

## FINANCIAL STATEMENTS

CITIZENS UNITED FOR RESEARCH IN EPILEPSY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022

ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 846,373	
Contributions Receivable	635,571	
Prepaid Expenses	41,357	
Total Current Assets	\$ 1,523,301	
Investments		8,121,395
Property and Equipment, Net		59,923
Other Assets		
Right of Use Assets	\$ 440,124	
Deposits	10,000	
Total Other Assets	450,124	
TOTAL ASSETS		\$ 10,154,743
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 143,881	
Grants Payable	3,045,280	
Refundable Advances	316,546	
Current Portion of Operating Leases	56,689	
Total Current Liabilities	\$ 3,562,396	
Other Liabilities		
Operating Lease Liabilities, Net of Current Portion		441,661
Total Liabilities		\$ 4,004,057
NET ASSETS		
Without Donor Restriction		
Undesignated	\$ 5,094,243	
With Donor Restriction	1,056,443	
Total Net Assets		6,150,686
TOTAL LIABILITIES AND NET ASSETS		\$ 10,154,743

The Notes to Financial Statements are an integral part of this statement.

CITIZENS UNITED FOR RESEARCH IN EPILEPSY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support			
Contributions	\$ 1,563,144	\$ 1,097,751	\$ 2,660,895
Grants	538,439	-	538,439
In-Kind Contributions	36,813	-	36,813
Special Events	2,606,183	92,238	2,698,421
Less Expenses	(612,697)	-	(612,697)
Other Revenue			
Return on Investment	(828,490)	-	(828,490)
Other Income	95,041	-	95,041
Net Assets Released from Restrictions	1,456,163	(1,456,163)	-
Total Operating Revenues, Gains, and Other Support	\$ 4,854,596	\$ (266,174)	\$ 4,588,422
<b>OPERATING EXPENSES</b>			
Program Services	\$ 5,029,248	\$ -	\$ 5,029,248
Supporting Services			
Management and General	312,380	-	312,380
Fundraising	467,847	-	467,847
Total Operating Expenses	\$ 5,809,475	\$ -	\$ 5,809,475
Change in Net Assets from Operations	\$ (954,879)	\$ (266,174)	\$ (1,221,053)
Net Assets at Beginning of Year	6,049,122	1,322,617	7,371,739
Net Assets at End of Year	\$ 5,094,243	\$ 1,056,443	\$ 6,150,686

The Notes to Financial Statements are an integral part of this statement.

CITIZENS UNITED FOR RESEARCH IN EPILEPSY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			Total Expenses	
	Research	Awareness	Total Programs	Management and General	Fundraising	Cost of Direct Benefits to Donors		Total Supporting Services
Grants	\$ 2,804,485	\$ -	\$ 2,804,485	\$ -	\$ -	\$ -	\$ -	\$ 2,804,485
Salaries and Wages	732,092	495,734	1,227,826	219,667	394,041	-	613,708	1,841,534
Payroll Taxes	47,372	32,193	79,565	15,923	25,916	-	41,839	121,404
Employee Benefits	89,254	59,626	148,880	25,909	47,314	-	73,223	222,103
In-Kind Professional Fees	12,838	8,702	21,540	3,857	6,916	-	10,773	32,313
In-Kind Supplies	-	4,500	4,500	-	-	-	-	4,500
Professional Fees	15,173	7,912	23,085	3,507	6,288	-	9,795	32,880
Insurance	5,528	3,746	9,274	1,661	2,978	-	4,639	13,913
Printing and Publications	6,818	2,249	9,067	997	25,573	-	26,570	35,637
Postage	1,846	1,251	3,097	555	6,836	-	7,391	10,488
Occupancy	41,141	27,886	69,027	12,359	22,162	-	34,521	103,548
Telephone	2,028	1,374	3,402	609	1,092	-	1,701	5,103
Computer, Web Development and Internet	44,828	73,694	118,522	8,068	14,467	-	22,535	141,057
Supplies	1,582	1,073	2,655	475	11,865	-	12,340	14,995
State Registrations	5,030	3,410	8,440	1,511	2,710	-	4,221	12,661
Subcontractors	18,740	23,682	42,422	1,304	13,125	-	14,429	56,851
Travel, Meeting and Related	29,492	5,160	34,652	5,230	31,968	-	37,198	71,850
Conferences and Functions	58,870	-	58,870	-	223,181	220,240	443,421	502,291
Advocacy and Awareness	-	296,901	296,901	-	-	-	-	296,901
Bank, Merchant and Investment Fees	17,834	12,088	29,922	5,357	9,607	-	14,964	44,886
Dues and Subscriptions	3,350	231	3,581	102	4,000	-	4,102	7,683
Depreciation	8,342	5,655	13,997	2,506	4,494	-	7,000	20,997
Other Expenses	9,264	6,274	15,538	2,783	5,075	696	8,554	24,092
Total Expenses	\$ 3,955,907	\$ 1,073,341	\$ 5,029,248	\$ 312,380	\$ 859,608	\$ 220,936	\$ 1,392,924	\$ 6,422,172
Special Events	-	-	-	-	(391,761)	(220,936)	(612,697)	(612,697)
Total Expenses in the Expense Section	\$ 3,955,907	\$ 1,073,341	\$ 5,029,248	\$ 312,380	\$ 467,847	\$ -	\$ 780,227	\$ 5,809,475

The Notes to Financial Statements are an integral part of this statement.

CITIZENS UNITED FOR RESEARCH IN EPILEPSY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (1,221,053)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities	
Depreciation	20,997
Realized (Gain)/Loss on Investments	(706,426)
Unrealized (Gain)/Loss on Investments	1,659,316
Decrease/(Increase) in Assets	
Contributions Receivable	618,475
Prepaid Expenses	655
Right of Use Assets	(440,124)
Increase/(Decrease) in Liabilities	
Accounts Payable	(43,142)
Grants Payable	899,847
Refundable Advances	(475,711)
Operating Lease Liabilities	498,350
Net Cash Flows Provided/(Used) by Operating Activities	<u>811,184</u>
	\$ 811,184
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	\$ (26,610)
Proceeds from the Sale of Investments	3,610,814
Purchases of Investments	<u>(6,777,746)</u>
Net Cash Flows Provided/(Used) by Investing Activities	<u>(3,193,542)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (2,382,358)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,228,731</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 846,373</u></u>
SUPPLEMENTAL DISCLOSURES:	
Interest Paid	<u><u>\$ -</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITIZENS UNITED FOR RESEARCH IN EPILEPSY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

Citizens United for Research in Epilepsy (the Organization) was incorporated in September 1998 as an Illinois not-for-profit corporation. The Organization 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. The Organization provides grant funding for research in epilepsy.

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

*Financial Statement Presentation*

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s Board of Directors and its management (“Management”).

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

*Cash and Cash Equivalents*

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

*Investments*

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

*Property and Equipment*

The Organization capitalizes all expenditures for Property and Equipment with a cost of over \$750 and an estimated useful life of more than one year. Purchased Property and Equipment is carried at cost. Donated Property and Equipment is carried at fair value at the date of donation and reported as support without donor restrictions 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

## NOTES TO FINANCIAL STATEMENTS (Continued)

donor stipulations regarding how long donated assets must be maintained, The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies Net Assets with Donor Restriction to Net Assets without Donor Restriction at that time. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Leasehold Improvements	Lease term
Furniture	5
Equipment	3

### *Revenue and Revenue Recognition*

The Organization accounts for contributions received and unconditional promises to give under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the Codification, contributions are recognized as support revenue when received. Unconditional promises to give are recognized when received at the estimated present value of future cash flows, net of allowances. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's federal and state grants are conditional on meeting certain performance requirements and the incurrence of allowable qualifying expenses.

Contributions received are recorded as support without donor restriction or with donor-restriction, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without restriction and reported in the statements of activities as net assets released from restrictions. Contributions Receivable are due in less than one year and Management represents that such amounts are 100% collectible; therefore, no allowance is provided in the financial statements.

A substantial portion of the Organization's revenue relates to contributions from donors and the only arrangements to which ASC 606 would be applicable is special event revenues. Special event revenues, which include registration fees or ticket purchases, sponsorships and purchase of auction items or raffle tickets, are recorded equal to the cost of direct benefits to donors, and contribution revenue for the difference. If the direct benefit portion of the amounts are received in advance of the event, they are deferred and recognized when the event occurs.

### *In-kind Contributions*

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. The value of these services has not been recognized in the Statements of Activities since these services do not meet the criteria for recognition as contributed services.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### *Leases*

Under the guidance of Topic 842, the Organization determines if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization is the lessee in a lease contract when it obtains the right to control the asset. The right-of use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent The Organization's obligation to make lease payments arising from these leases. The ROU assets resulting from operating leases and the related liabilities are separately stated on the face of the Statement of Net Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. ROU assets also can include adjustments related to lease payments made and/or lease incentives received at or before the commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

Finance leases are those in which transfer ownership, or an arrangement which results in either the present value of lease payments being greater than 90% of the fair market value of the asset or lease term being greater than 75% of the estimated useful life of the asset. Finance lease ROU assets and the related liabilities are separately stated on the face of the Statement of Net Position. The ROU asset is amortized over either the useful life of the asset or lease term, depending on the facts and circumstances of the lease. The Organization does not currently have any material financing type leases that fall under this policy.

### *Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized in the Statement of Activities and changes in net assets. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting services, 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 time and effort.

### *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

### *Income Tax Status*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended December 31, 2022. Management represents there are no uncertain tax positions or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 2 - CASH AND CASH EQUIVALENTS

The Organization maintains bank accounts at two financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at December 31, 2022 exceeded federally insured limits by approximately \$615,000. The Organization has not experienced any losses in such accounts. Management represents it is not exposed to any significant credit risk on its cash balances.

### NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

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

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

Investments are carried at fair value as described in Note 4, based on quoted prices in active markets for identical assets.

	Fair Value	Fair Value Measurement Using	
		Level 1	Level 2
Mutual Funds	\$ 1,664,315	\$ 1,664,315	\$ -
Stocks	3,538,978	3,538,978	-
Corporate Bonds	629,971	-	629,971
Government Bonds	1,381,417	-	1,381,417
Certificates of Deposit	906,714	-	906,714
	<u>\$ 8,121,395</u>	<u>\$ 5,203,293</u>	<u>\$ 2,918,102</u>

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at December 31, 2022. The level 1 investments comprise of mutual funds, and stocks which have readily determinable fair values. The Organization's level 2 investments include CDs and bonds which are traded in financial markets and are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, and stated interest rate.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at December 31, 2022:

	Cost	Fair Market Value	Unrealized Appreciation
Mutual Funds	\$ 1,664,315	\$ 1,664,315	\$ -
Stocks	3,538,979	3,538,978	(1)
Corporate Bonds	675,000	629,971	(45,029)
Government Bonds	1,455,000	1,381,417	(73,583)
Certificates of Deposit	900,000	906,714	6,714
Total	<u>\$ 8,233,294</u>	<u>\$ 8,121,395</u>	<u>\$ (111,899)</u>

Investment return for the year ended December 31, 2022 consists of the following:

Investment Income	\$ 140,351
Realized Gain/(Loss)	706,426
Change in Unrealized Gain/(Loss)	(1,659,316)
Investment Fees and Other Expenses	<u>(15,951)</u>
Return on Investments	<u>\$ (828,490)</u>

### NOTE 5 - AVAILABILITY AND LIQUIDITY

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the Statement of Financial Position date to meet general expenditures.

The Organization's financial assets at December 31, 2022 are as follows:

	2022
Financial assets at year end:	
Cash and Cash Equivalents	\$ 846,373
Contributions Receivable	635,571
Investments	<u>8,121,395</u>
Total Financial Assets	\$ 9,603,339
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	<u>1,056,443</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,546,896</u>

As part of its liquidity management plan, the Organization 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 6 - PROPERTY AND EQUIPMENT

Property and Equipment owned by the Organization at December 31, 2022 consists of the following:

	2022
Furniture and Fixtures	\$ 79,338
Leasehold Improvements	100,519
Machinery and Equipment	<u>91,561</u>
	\$ 271,418
Less Accumulated Depreciation	<u>211,495</u>
	<u>\$ 59,923</u>

Depreciation expense in the amount of \$20,997 is reported on the Statement of Functional Expenses for the year ended December 31, 2022.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 7 - CONTRIBUTIONS AND GRANTS RECEIVABLE

Receivables at December 31, 2022 consist of the following:

	<u>2022</u>
Contributions due within one year	<u>\$ 635,571</u>

### NOTE 8 - GRANTS PAYABLE

Grant requests are recorded as Grants Payable once approved by the Organization'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, 2022, management has determined that the effects of discounting grants payable due beyond one year would be immaterial. As such, as of December 31, 2022 grants payable for future years are not discounted to present value. Amounts expected to be paid over the next two years is as follows:

<u>Year ending December 31</u>	<u>Total</u>
2023	\$ 2,206,178
2024	839,102
	<u>\$ 3,045,280</u>

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor-restricted at December 31, 2022 for the following purposes:

<u>Purpose for Restrictions</u>	<u>Amount</u>
Epilepsy Research	<u>\$ 1,056,443</u>

Net Assets Released from Donor Restrictions due to occurrence of expenditures in the amount of \$1,456,163 is reported on the Statement of Activities for the year ended December 31, 2022.

### NOTE 10 - IN-KIND CONTRIBUTIONS

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Organization received \$32,313 of donated legal fees which is included in In-Kind Professional Fees on the Statement of Functional Expenses for the year ended December 31, 2022.

The Organization received donated goods of \$4,500, of which all were program supplies, which is included in In-Kind Supplies on the Statement of Functional Expenses for the year ended December 31, 2022.

All program and supporting activities benefited from these in-kind contributions, there were no donor restrictions, and the valuation technique was estimated using the current rate of attorney providing the services and the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the US.

### NOTE 11 - OPERATING LEASE – LESSEE

The Organization's operating leases consist primarily of office space and office equipment (Operating Leases).

Summary of leases and future maturities of lease liabilities are presented in the following table, for the fiscal year ending December 31, 2022:

## NOTES TO FINANCIAL STATEMENTS (Continued)

	<u>Operating</u>	
ROU Assets	\$ 493,442	
Accumulated Amortization	<u>(53,318)</u>	
	<u>\$ 440,124</u>	
Total Lease Liabilities	<u>\$ 498,350</u>	
Weighted Average Remaining Lease Term:		7.55 years
Weighted Average Discount Rate:		3.91%
Future Lease Maturities:		
2023	\$ 76,170	
2024	77,197	
2025	71,516	
2026	73,304	
2027	75,137	
Thereafter	<u>216,515</u>	
	\$ 589,839	
Less effects of discounting	<u>(91,489)</u>	
	<u>\$ 498,350</u>	

### NOTE 12 - RETIREMENT PLAN

The Organization 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 the Organization will match up to 3% of employee's salaries. Pension expense for the year ended December 31, 2022 was \$50,109.

### NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization benefits from contributions from Board members and key employees. Aggregated contributions were received from Board members in the amount of \$225,066 during the year. This constitutes 5% of total support for the year ended December 31, 2022. The Statement of Financial Position includes \$400,000 in outstanding contributions receivable from members of the Organization's Board of Directors as of December 31, 2022.

### NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 11, 2023, the date on which the financial statements were available to be issued.

### NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Topic 842): The Organization did not restate prior periods as presented under FASB ASC 840 and instead made the adjustment as of January 1, 2022 for the cumulative impact of adoption of FASB ASC 842.