



CITIZENS UNITED FOR RESEARCH IN EPILEPSY

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, 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 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 the notes to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2022-02, *Financial Instruments-Credit Losses* (Topic 326). 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 *Government 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 *Government Auditing Standards*, we:

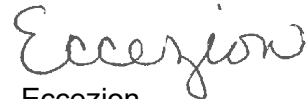
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 May 9, 2024 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.



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McHenry, Illinois
May 9, 2024



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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Citizens United for Research in Epilepsy's basic financial statements, and have issued our report thereon dated May 9, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Organization'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.

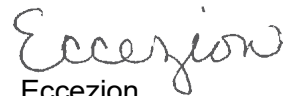
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



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McHenry, Illinois
May 9, 2024

FINANCIAL STATEMENTS

CITIZENS UNITED FOR RESEARCH IN EPILEPSY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 588,781	\$ 846,373
Contributions Receivable, due within one year	488,053	733,572
Prepaid Expenses	32,706	41,357
Total Current Assets	<u>\$ 1,109,540</u>	<u>\$ 1,621,302</u>
Investments	8,427,336	8,121,395
Contributions Receivable, due after one year	618,079	-
Property and Equipment, Net	68,705	59,923
Other Assets		
Right of Use Assets	\$ 353,412	\$ 440,124
Deposits	10,000	10,000
Total Other Assets	<u>\$ 363,412</u>	<u>\$ 450,124</u>
TOTAL ASSETS	<u><u>\$ 10,587,072</u></u>	<u><u>\$ 10,252,744</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 124,754	\$ 143,881
Grants Payable	3,066,066	3,045,280
Refundable Advances	28,093	316,546
Current Portion of Operating Leases	73,227	76,170
Total Current Liabilities	<u>\$ 3,292,140</u>	<u>\$ 3,581,877</u>
Other Liabilities		
Operating Lease Liabilities, Net of Current Portion	<u>334,980</u>	<u>422,180</u>
Total Liabilities	<u>\$ 3,627,120</u>	<u>\$ 4,004,057</u>
NET ASSETS		
Without Donor Restriction		
Undesignated	\$ 5,305,489	\$ 5,192,244
With Donor Restriction		
Purpose Restrictions	732,075	1,056,443
Time-Restricted for Future Periods	<u>922,388</u>	<u>-</u>
Total Net Assets	<u>\$ 6,959,952</u>	<u>\$ 6,248,687</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,587,072</u></u>	<u><u>\$ 10,252,744</u></u>

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

CITIZENS UNITED FOR RESEARCH IN EPILEPSY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	December 31, 2023			December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT						
Support						
Contributions	\$ 1,421,531	\$ 1,434,807	\$ 2,856,338	\$ 1,563,144	\$ 1,097,751	\$ 2,660,895
Grants	706,599	72,580	779,179	538,439	-	538,439
In-Kind Contributions	1,573,329	-	1,573,329	36,813	-	36,813
Special Events	2,818,153	147,076	2,965,229	2,606,183	92,238	2,698,421
Less Expenses	(773,485)	-	(773,485)	(612,697)	-	(612,697)
Other Revenue						
Return on Investment	857,260	-	857,260	(828,490)	-	(828,490)
Other Income	-	-	-	95,041	-	95,041
Net Assets Released from Restrictions	1,056,443	(1,056,443)	-	1,456,163	(1,456,163)	-
Total Operating Revenues, Gains, and Other Support	<u>\$ 7,659,830</u>	<u>\$ 598,020</u>	<u>\$ 8,257,850</u>	<u>\$ 4,854,596</u>	<u>\$ (266,174)</u>	<u>\$ 4,588,422</u>
OPERATING EXPENSES						
Program Services	\$ 6,077,319	\$ -	\$ 6,077,319	\$ 5,029,248	\$ -	\$ 5,029,248
Supporting Services						
Management and General	476,137	-	476,137	312,380	-	312,380
Fundraising	993,129	-	993,129	467,847	-	467,847
Total Operating Expenses	<u>\$ 7,546,585</u>	<u>\$ -</u>	<u>\$ 7,546,585</u>	<u>\$ 5,809,475</u>	<u>\$ -</u>	<u>\$ 5,809,475</u>
Change in Net Assets from Operations	\$ 113,245	\$ 598,020	\$ 711,265	\$ (954,879)	\$ (266,174)	\$ (1,221,053)
Net Assets at Beginning of Year	5,192,244	1,056,443	6,248,687	6,049,122	1,322,617	7,371,739
Net Assets Adjustment (Note 14)	-	-	-	98,001	-	98,001
Net Assets at End of Year	<u>\$ 5,305,489</u>	<u>\$ 1,654,463</u>	<u>\$ 6,959,952</u>	<u>\$ 5,192,244</u>	<u>\$ 1,056,443</u>	<u>\$ 6,248,687</u>

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

CITIZENS UNITED FOR RESEARCH IN EPILEPSY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	Year Ended December 31, 2023							
	Program Services			Supporting Services				
	Research	Awareness	Total Programs	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Supporting Services	Total Expenses
Grants	\$ 2,759,409	\$ -	\$ 2,759,409	\$ -	\$ -	\$ -	\$ -	\$ 2,759,409
Salaries and Wages	723,934	527,164	1,251,098	218,438	499,785	-	718,223	1,969,321
Payroll Taxes	47,259	34,416	81,675	14,270	32,148	-	46,418	128,093
Employee Benefits	107,606	77,681	185,287	32,845	74,021	-	106,866	292,153
In-Kind Professional Fees	584,611	435,293	1,019,904	168,317	385,108	-	553,425	1,573,329
Professional Fees	11,222	8,356	19,578	3,231	7,393	-	10,624	30,202
Insurance	7,049	5,249	12,298	2,030	4,644	-	6,674	18,972
Printing and Publications	3,439	2,561	6,000	990	24,791	-	25,781	31,781
Postage	1,076	801	1,877	310	6,074	-	6,384	8,261
Occupancy	43,539	32,419	75,958	12,536	28,681	-	41,217	117,175
Telephone	1,974	1,470	3,444	568	1,301	-	1,869	5,313
Computer, Web Development and Internet	51,738	93,334	145,072	8,851	20,252	-	29,103	174,175
Supplies	1,878	1,637	3,515	541	14,403	-	14,944	18,459
State Registrations	4,344	3,235	7,579	1,251	2,862	-	4,113	11,692
Subcontractors	60,108	51,645	111,753	486	2,962	-	3,448	115,201
Travel, Meeting and Related	11,963	5,293	17,256	2,769	58,365	-	61,134	78,390
Conferences and Functions	49,244	11,843	61,087	-	263,721	315,834	579,555	640,642
Advocacy and Awareness	-	258,811	258,811	-	-	-	-	258,811
Bank, Merchant and Investment Fees	19,667	14,644	34,311	5,662	12,955	-	18,617	52,928
Dues and Subscriptions	3,075	149	3,224	57	3,500	-	3,557	6,781
Depreciation	9,473	7,054	16,527	2,727	6,240	-	8,967	25,494
Other Expenses	990	666	1,656	258	590	984	1,832	3,488
Total Expenses	\$ 4,503,598	\$ 1,573,721	\$ 6,077,319	\$ 476,137	\$ 1,449,796	\$ 316,818	\$ 2,242,751	\$ 8,320,070
Special Events	-	-	-	-	(456,667)	(316,818)	(773,485)	(773,485)
Total Expenses in the Expense Section	\$ 4,503,598	\$ 1,573,721	\$ 6,077,319	\$ 476,137	\$ 993,129	\$ -	\$ 1,469,266	\$ 7,546,585

	Year Ended December 31, 2022							
	Program Services			Supporting Services				
	Research	Awareness	Total Programs	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Supporting Services	Total Expenses
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 YEARS ENDED DECEMBER 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 711,265	\$ (1,221,053)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities		
Depreciation	25,494	20,997
Amortization	86,712	88,213
Realized (Gain)/Loss on Investments	(110,562)	(706,426)
Unrealized (Gain)/Loss on Investments	(521,452)	1,659,316
Decrease/(Increase) in Assets		
Contributions Receivable	(372,560)	618,475
Prepaid Expenses	8,651	655
Right of Use Assets	-	(528,337)
Increase/(Decrease) in Liabilities		
Accounts Payable	(19,127)	(43,142)
Grants Payable	20,786	899,847
Refundable Advances	(288,453)	(475,711)
Operating Lease Liabilities	(90,143)	498,350
Net Cash Flows Provided/(Used) by Operating Activities	<u>\$ (549,389)</u>	<u>\$ 811,184</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$ (34,276)	\$ (26,610)
Proceeds from the Sale of Investments	541,381	3,610,814
Purchases of Investments	(215,308)	(6,777,746)
Net Cash Flows Provided/(Used) by Investing Activities	<u>\$ 291,797</u>	<u>\$ (3,193,542)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (257,592)	\$ (2,382,358)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>846,373</u>	<u>3,228,731</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 588,781</u>	<u>\$ 846,373</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 YEARS ENDED DECEMBER 31, 2023 and 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.

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:

	Years
	Lease term
Leasehold Improvements	5
Furniture	5
Equipment	3
Website	5

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 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. 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.

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 items, as well as event specific donation in excess of these items, are recorded as contribution revenue. If the contributions are received in advance of the event, they are deferred and recognized when the event occurs.

Grants receivable are recorded net of an applicable allowance for credit losses. The Organization estimates of the un-collectability of its grants receivable based on historical performance and projected trends. The Organization analyzes grants receivable and historical bad debt levels, donor credit worthiness, and current economic trends when evaluating the adequacy of the allowance for credit losses.

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, 2023 and 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).

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

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022 exceeded federally insured limits by approximately \$316,000 and \$615,000, respectively. 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.

	2023		
	Fair Value	Fair Value Measurement Using	
		Level 1	Level 2
Mutual Funds	\$ 733,920	\$ 733,920	\$ -
Stocks	5,020,321	5,020,321	-
Corporate Bonds	800,785	-	800,785
Government Bonds	1,872,310	-	1,872,310
	<u>\$ 8,427,336</u>	<u>\$ 5,754,241</u>	<u>\$ 2,673,095</u>

	2022		
	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, 2023 and 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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

NOTE 4 - INVESTMENTS

Investments held by the Organization are stated at fair market value and consist of the following at December 31, 2023 and 2022:

	2023		
	Cost	Fair Market Value	Unrealized Appreciation
Mutual Funds	\$ 733,925	\$ 733,920	\$ (5)
Stocks	4,630,959	5,020,321	389,362
Corporate Bonds	796,989	800,785	3,796
Government Bonds	1,856,597	1,872,310	15,713
Total	<u>\$ 8,018,470</u>	<u>\$ 8,427,336</u>	<u>\$ 408,866</u>

	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 years ended December 31, 2023 and 2022 consists of the following:

	2023	2022
Investment Income	\$ 245,340	\$ 140,351
Realized Gain/(Loss)	110,562	706,426
Change in Unrealized Gain/(Loss)	521,452	(1,659,316)
Investment Fees and Other Expenses	<u>(20,094)</u>	<u>(15,951)</u>
Return on Investments	<u>\$ 857,260</u>	<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, 2023 and 2022 are as follows:

	2023	2022
Financial assets at year end:		
Cash and Cash Equivalents	\$ 588,781	\$ 846,373
Contributions Receivable	1,106,132	733,572
Investments	8,427,336	8,121,395
Total Financial Assets	<u>\$ 10,122,249</u>	<u>\$ 9,701,340</u>
Less amounts not available to be used within one year:		
Net Assets with Donor Restrictions	\$ 732,075	\$ 1,056,443
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	922,388	-
	<u>\$ 1,654,463</u>	<u>\$ 1,056,443</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,467,786</u>	<u>\$ 8,644,897</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2023 and 2022 consists of the following:

	2023	2022
Furniture and Fixtures	\$ 79,338	\$ 79,338
Leasehold Improvements	100,519	100,519
Machinery and Equipment	113,675	91,561
Website	12,163	-
	<u>\$ 305,695</u>	<u>\$ 271,418</u>
Less Accumulated Depreciation	236,990	211,495
	<u>\$ 68,705</u>	<u>\$ 59,923</u>

Depreciation expense in the amount of \$25,494 and \$20,997 is reported on the Statement of Functional Expenses for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Receivables at December 31 consist of the following:

	2023	2022
Receivable Due Within One Year	\$ 488,053	\$ 733,572
Receivable Due in One to Five Years	704,916	-
Less discount on long-term receivables	(86,837)	-
Total Contributions Receivable	<u>\$ 1,106,132</u>	<u>\$ 733,572</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, 2023, management has determined that the effects of discounting grants payable due beyond one year would be immaterial. As such, as of December 31, 2023 grants payable for future years are not discounted to present value. Amounts expected to be paid over the next two years are as follows:

Year ending December 31	Total
2024	\$ 2,359,371
2025	706,695
	<u>\$ 3,066,066</u>

Amounts expected to be paid over the next two years as of December 31, 2022 were as follows:

Year ending December 31	Total
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, 2023 and 2022 for the following purposes:

NOTES TO FINANCIAL STATEMENTS (Continued)

Purpose for Restrictions	2023 Amount	2022 Amount
Promises to give, the proceeds from which have been restricted by donors for:		
Epilepsy Research	\$ 732,075	\$ 1,056,443
Promises to give, the proceeds from which are not donor restricted, but are unavailable for expenditure until due	922,388	-
Total	\$ 1,654,463	\$ 1,056,443

Net Assets Released from Donor Restrictions due to occurrence of expenditures in the amount of \$1,056,443 and \$1,456,163 is reported on the Statement of Activities for the years ended December 31, 2023 and 2022, respectively.

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 \$1,573,329 of donated legal fees and strategic planning consultation fees which is included in In-Kind Professional Fees on the Statement of Functional Expenses for the year ended December 31, 2023. For the year ended December 31, 2022, the Organization received \$32,313 of donated legal fees which is included in In-Kind Professional Fees on the Statement of Functional Expenses.

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 the attorney and consultant 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, 2023 and 2022:

	2023 Operating	2022 Operating
ROU Assets	\$ 493,442	\$ 493,442
Accumulated Amortization	(140,030)	(53,318)
	\$ 353,412	\$ 440,124
Total Lease Liabilities	\$ 408,207	\$ 498,350

NOTES TO FINANCIAL STATEMENTS (Continued)

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term:	6.64 Years	7.55 Years
Weighted Average Discount Rate:	3.95%	3.91%
Future Lease Maturities:		
2023	\$ -	\$ 76,170
2024	73,227	77,197
2025	67,118	71,516
2026	68,460	73,304
2027	69,829	75,137
2028	71,226	77,015
Thereafter	<u>127,227</u>	<u>139,500</u>
	\$ 477,087	\$ 589,839
Less effects of discounting	<u>(68,880)</u>	<u>(91,489)</u>
	<u>\$ 408,207</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 years ended December 31, 2023 and 2022 was \$48,442 and \$50,109, respectively.

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 \$319,209 and \$225,066 for the years 2023 and 2022, respectively. This constitutes 3.9% and 5% of total support for the years ended December 31, 2023 and 2022, respectively. The Statement of Financial Position includes \$0 and \$400,000 in outstanding contributions receivable from members of the Organization's Board of Directors as of December 31, 2023 and 2022, respectively.

NOTE 14 - EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act for quarters one and two in 2021. The Organization received a total of \$193,041 under this program. The Organization received \$95,040 which was recorded as revenue in fiscal year 2022. The net asset balance as of January 1, 2022 was revised for the remaining \$98,001 credit related to fiscal year 2021. The Organization elected to account for the ERC monies as a government grant receivable in substance by applying the guidance in IAS 20.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 9, 2024, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

In June 2016, the FASB issued guidance (FASB ASC 326, *Financial Instruments-Credit Losses*) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Organization does not have any financial assets that are subject to the guidance in FASB ASC 326.