

Citizens United for Research in Epilepsy

Audited Financial Statements,  
Supplementary Information, and  
Uniform Guidance Reports

*Years ended December 31, 2021 and 2020  
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, 2021 and 2020

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## Report of Independent Auditors

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Citizens United for Research in Epilepsy (CURE Epilepsy), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and change in net assets, 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 CURE Epilepsy as of December 31, 2021 and 2020, 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.

#### ***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 CURE 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 CURE Epilepsy's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 CURE 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 CURE Epilepsy's ability to continue as a going concern for a reasonable period of time.

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.

#### ***Supplementary Information***

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 required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated [DATE TBD] 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 effectiveness of CURE Epilepsy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CURE Epilepsy's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned in the lower-left area of the page.

Park Ridge, Illinois  
April 1, 2022

Citizens United for Research in Epilepsy

Statements of Financial Position

December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,756,396	\$ 472,335	\$ 3,228,731	\$ 4,170,943	\$ 345,015	\$ 4,515,958
Investments	5,907,353	-	5,907,353	4,437,822	-	4,437,822
Contributions and grants receivable, net	403,764	850,282	1,254,046	99,964	1,430,780	1,530,744
Prepaid expenses and other assets	52,012	-	52,012	53,199	-	53,199
Fixed assets, less accumulated depreciation of \$190,498 in 2021 and \$171,909 in 2020	54,310	-	54,310	57,472	-	57,472
<b>Total Assets</b>	<b>\$ 9,173,835</b>	<b>\$ 1,322,617</b>	<b>\$ 10,496,452</b>	<b>\$ 8,819,400</b>	<b>\$ 1,775,795</b>	<b>\$ 10,595,195</b>
<b>Liabilities and Net Assets</b>						
Liabilities						
Accounts payable and accrued expenses	\$ 187,023	\$ -	\$ 187,023	\$ 134,299	\$ -	\$ 134,299
Grants payable	2,145,433	-	2,145,433	1,798,527	-	1,798,527
Refundable advances	792,257	-	792,257	1,849,485	-	1,849,485
Paycheck Protection Program (PPP) Loan	-	-	-	236,600	-	236,600
Total Liabilities	3,124,713	-	3,124,713	4,018,911	-	4,018,911
Net Assets	6,049,122	1,322,617	7,371,739	4,800,489	1,775,795	6,576,284
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,173,835</b>	<b>\$ 1,322,617</b>	<b>\$ 10,496,452</b>	<b>\$ 8,819,400</b>	<b>\$ 1,775,795</b>	<b>\$ 10,595,195</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,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Contributions						
Foundations	\$ 453,006	\$ 150,000	\$ 603,006	\$ 275,307	\$ 125,700	\$ 401,007
Corporate	362,339	-	362,339	140,688	119,136	259,824
Individuals	1,031,090	339,098	1,370,188	528,325	433,016	961,341
Other	35,963	-	35,963	5,528	-	5,528
In-kind	58,956	-	58,956	241,319	-	241,319
Special events						
Proceeds	2,173,591	45,008	2,218,599	2,291,342	-	2,291,342
Expenses	(254,522)	-	(254,522)	(141,318)	-	(141,318)
Net special events	1,919,069	45,008	1,964,077	2,150,024	-	2,150,024
Federal grant revenue	1,057,228	-	1,057,228	3,039,412	-	3,039,412
Interest and dividends, net investment fees	107,861	-	107,861	79,351	-	79,351
Grants returned	262,718	-	262,718	64,747	-	64,747
Gain on forgiveness of debt	526,872	-	526,872	-	-	-
Net assets released from restriction	987,284	(987,284)	-	704,941	(704,941)	-
Total support and revenue	<u>6,802,386</u>	<u>(453,178)</u>	<u>6,349,208</u>	<u>7,229,642</u>	<u>(27,089)</u>	<u>7,202,553</u>
<b>Expenses</b>						
Program services	5,082,727	-	5,082,727	6,769,998	-	6,769,998
General administration	305,681	-	305,681	323,400	-	323,400
Fundraising	495,928	-	495,928	635,769	-	635,769
Total expenses	<u>5,884,336</u>	<u>-</u>	<u>5,884,336</u>	<u>7,729,167</u>	<u>-</u>	<u>7,729,167</u>
Change in net assets before change in fair value of investments	918,050	(453,178)	464,872	(499,525)	(27,089)	(526,614)
Change in fair value of investments	330,583	-	330,583	222,461	-	222,461
Total change in net assets	1,248,633	(453,178)	795,455	(277,064)	(27,089)	(304,153)
Net assets, beginning of year	4,800,489	1,775,795	6,576,284	5,077,553	1,802,884	6,880,437
Net assets, end of year	<u>\$ 6,049,122</u>	<u>\$ 1,322,617</u>	<u>\$ 7,371,739</u>	<u>\$ 4,800,489</u>	<u>\$ 1,775,795</u>	<u>\$ 6,576,284</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services				Supporting Services		
	Research	Awareness	Other programs	Total	General Administration	Fundraising	Total
Grants	\$ 2,971,455	\$ -	\$ -	\$ 2,971,455	\$ -	\$ -	\$ 2,971,455
Salaries and wages	689,853	436,198	-	1,126,051	215,401	405,240	1,746,692
Payroll taxes	45,729	28,452	-	74,181	14,038	26,282	114,501
Employee benefits	78,040	48,640	-	126,680	25,870	44,987	197,537
In-kind	21,270	18,549	-	39,819	6,641	12,495	58,955
Professional fees	16,217	7,092	-	23,309	3,502	6,589	33,400
Insurance	5,176	3,273	-	8,449	1,616	3,040	13,105
Printing and publications	3,009	1,895	-	4,904	895	18,790	24,589
Postage	1,519	960	-	2,479	474	6,118	9,071
Occupancy	42,098	26,619	-	68,717	13,145	24,730	106,592
Telephone	2,545	1,609	-	4,154	795	1,495	6,444
Computer, web development and internet	49,680	87,942	-	137,622	11,706	22,407	171,735
Supplies	752	609	-	1,361	235	7,316	8,912
State registration	5,060	3,199	-	8,259	1,580	2,972	12,811
Subcontractors	44,767	69,418	-	114,185	239	17,390	131,814
Travel, meetings and related	15,111	3,193	-	18,304	644	10,612	29,560
Conferences and functions	48,380	3,933	-	52,313	419	121,296	174,028
Advocacy and awareness	-	204,155	-	204,155	-	-	204,155
Bank, merchant and investment fees	15,750	9,959	-	25,709	4,918	9,252	39,879
Dues and subscriptions	2,794	234	-	3,028	83	1,164	4,275
Depreciation	7,342	4,642	-	11,984	2,292	4,313	18,589
EEF	-	-	50,000	50,000	-	-	50,000
Other expenses	3,528	2,081	-	5,609	1,188	3,962	10,759
Total expenses	4,070,075	962,652	50,000	5,082,727	305,681	750,450	6,138,858
<i>Less expenses included with revenues on the statement of activities and changes in net assets</i>							
<i>Special events</i>	-	-	-	-	-	(254,522)	(254,522)
<i>Total expenses included in the expense section of the statement of activities and changes in net assets</i>	\$ 4,070,075	\$ 962,652	\$ 50,000	\$ 5,082,727	\$ 305,681	\$ 495,928	\$ 5,884,336

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	2,254	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

Statements of Cash Flows

	Years ended December 31,	
	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 795,455	\$ (304,153)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	18,589	17,721
Disposal of fixed assets	-	2,360
Change in fair value of investments	(330,583)	(222,461)
Discount on long-term receivables	(19,502)	(25,787)
Gain on forgiveness of debt	(526,872)	-
Changes in operating assets and liabilities		
Contributions and grants receivable	296,200	336,216
Prepaid expenses and other assets	1,187	5,733
Accounts payable and accrued expenses	52,724	(224,837)
Grants payable	346,906	846,568
Refundable advances	(1,057,228)	(1,117,978)
Net cash used in operating activities	(423,124)	(686,618)
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(15,427)	(20,288)
Proceeds from sale of investments	116,241	4,503,161
Purchases of investments	(1,255,289)	(4,456,025)
Net cash (used in) provided by investing activities	(1,154,375)	26,848
<b>Cash flows from Financing Activities</b>		
PPP Loan Proceeds	290,272	236,600
Net cash provided by financing activities	290,272	236,600
Change in cash and cash equivalents	(1,287,227)	(423,170)
Cash and cash equivalents, beginning of year	4,515,958	4,939,128
Cash and cash equivalents, end of year	\$ 3,228,731	\$ 4,515,958
<b>Supplemental cash flow information</b>		
<b>Non-cash activities</b>		
Gain on forgiveness of debt	\$ 526,872	\$ -

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Notes to the Financial Statements

Years ended December 31, 2021 and 2020

**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*

The ongoing COVID-19 coronavirus pandemic (COVID-19) continues to have a global impact creating uncertainty, volatility, and disruption across economies and financial markets. CURE Epilepsy's operational and financial performance will depend on certain developments, including the duration and spread of COVID-19 and its impact on CURE Epilepsy and its employees, donors, and vendors. As such, COVID-19 could have a material adverse effect on CURE Epilepsy's financial position in the future including revenues and the fair value of investments. 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 April 1, 2022, 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.

*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.

## Citizens United for Research in Epilepsy

### Notes to the Financial Statements (Continued)

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

##### *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.

##### *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, 2021 and 2020.

##### *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 \$792,257 and \$1,849,485 recognized in the statement of financial position as a refundable advance as of December 31, 2021 and 2020, respectively. These amounts have not been recognized as revenue as qualifying expenses have not yet been incurred.

##### *Special Events*

Proceeds from special events held by CURE Epilepsy represents a contribution. CURE Epilepsy has determined that the amounts received in advance are conditioned on the event taking place and are therefore treated as a refundable advance and recognized as special event revenue after the event is held.

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, 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 (three years for equipment, five 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, 2021, management has determined that the effects of discounting grants payable due beyond one year would be immaterial. As such, as of December 31, 2021, grants payable for future years are not discounted to present value. Amounts expected to be paid over the next two years is as follows:

2022	\$	1,462,350
2023		<u>683,083</u>
	\$	<u>2,145,433</u>

*Grants returned*

Grants awarded for which all requirements for payment have not been met are recorded as grants returned in the statement of activities and changes in net assets in the year management determines no further obligation exist.

*Loan Payable*

CURE Epilepsy received loans pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Amounts not forgiven are reported as PPP loan payable on the statements of financial position and is reported at the outstanding principal balance of the debt. Interest expense is accrued on the outstanding principal balance. CURE Epilepsy accounted for PPP loans in accordance with Financial Accounting Standards Board (FASB) ASC 470, Debt. See Note K for more information.

*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 costs of program and supporting services activities have been summarized in the statement of activities and changes in net assets. 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 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.

*Reclassification of Prior Year Amounts*

Certain prior year balances have been reclassified to conform with the current year presentation.

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**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:

	2021	2020
Cash and cash equivalents	\$ 2,756,396	\$ 4,170,943
Short-term investments	5,907,353	4,437,822
Contributions and grants receivable	403,764	99,964
Total financial assets available for general expenditure	\$ 9,067,513	\$ 8,708,729

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:

	2021	2020	Level
Exchange traded funds	\$ 5,899,366	\$ 4,432,628	1
Money market funds	7,987	5,194	N/A
Total investments	\$ 5,907,353	\$ 4,437,822	

At December 31, 2021 and 2020, CURE Epilepsy's investments in 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:

	2021	2020
Receivable due within one year	\$ 873,764	\$ 644,964
Receivable due in one to five years	400,000	925,000
Less discount on long-term receivables	(19,718)	(39,220)
Contributions and grants receivables, net	\$ 1,254,046	\$ 1,530,744

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

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

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time	\$ 780,282	\$ 1,160,781
Subject to specified purpose:		
Epilepsy research	501,602	520,830
Educational research conferences	40,733	44,184
Scholarship	-	50,000
	<u>542,335</u>	<u>615,014</u>
Total net assets with donor restriction	<u>\$ 1,322,617</u>	<u>\$ 1,775,795</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.

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:

	<u>2021</u>	<u>2020</u>
Expiration of time	\$ 400,000	\$ 490,000
Satisfaction of purpose	<u>587,284</u>	<u>214,941</u>
Total net assets released from restriction	<u>\$ 987,284</u>	<u>\$ 704,941</u>

**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, 2021 and 2020 was \$43,201 and \$37,134, 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 occupancy expense of \$106,592 and \$90,549 for the years ended December 31, 2021 and 2020, respectively. The future minimum lease payments are as follows:

Fiscal Years Ending <u>December 31,</u>	Minimum Lease <u>Payments</u>
2022	\$ 66,410
2023	\$ 68,070
2024	\$ 69,772
2025	\$ 71,516
2026	\$ 73,304
Thereafter	\$ 291,652

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

**Note I - Related Party Transactions**

CURE Epilepsy received \$359,828 and \$224,189 in 2021 and 2020, respectively, from members of CURE Epilepsy's Board of Directors. The statement of financial position include \$800,000 and \$1,200,000 in outstanding contribution receivables from members of CURE Epilepsy's Board of Directors, as of December 31, 2021 and 2020, respectively.

**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.

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

On April 20, 2020, CURE Epilepsy received a first draw PPP loan in the amount of \$236,600. The PPP Loan bears an annual interest rate of 1%, and is unsecured and guaranteed by the Small Business Administration (SBA). CURE Epilepsy elected to account for this PPP Loan in accordance with FASB ASC 470, Debt when received. On January 20, 2021, CURE Epilepsy received forgiveness of the first draw PPP Loan from the SBA and concurrently recorded a gain on forgiveness of debt on the statement of activities and changes in net assets for the forgiveness of principal and accrued interest of \$236,600 for the year ended December 31, 2021.

On February 16, 2021, CURE Epilepsy received a PPP Loan under the Second Draw of the Program in the amount of \$290,272 . CURE Epilepsy received forgiveness of the second PPP Loan from the SBA on August 7, 2021 and concurrently recorded a gain on forgiveness of debt on the statement of activities and changes in net assets for the forgiveness of principal and accrued interest of \$290,272 for the year ended December 31, 2021.

**Note L - In-kind Contributions**

CURE Epilepsy recognized in-kind contributions of \$58,956 and \$241,319 for the years ended December 31, 2021 and 2020, respectively. These non-cash contributions were as follows for the years ended December 31:

Nonfinancial asset	2021	2020	Program benefited	Donor restriction	Valuation technique
Professional service - legal	\$ 58,956	\$ 241,319	All program and supporting activities	None	Estimated using current rate of attorney providing the service



Citizens United for Research in Epilepsy  
Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

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	\$ 1,057,228	\$ 728,609
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,057,228</u>	<u>\$ 728,609</u>

Citizens United for Research in Epilepsy

Notes to the Schedule of Expenditures and Federal Awards

Year ended December 31, 2021

**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**

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 CURE Epilepsy's statement of financial position as of December 31, 2021, 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 April 1, 2022.

**Report on 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 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 or significant deficiencies may exist that were not identified.

**Report on 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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  
April 1, 2022

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

**Report of Independent Auditors**

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

***Opinion on Each Major Federal Program***

We have audited Citizens United for Research in Epilepsy (CURE Epilepsy)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of CURE Epilepsy's major federal program for the year ended December 31, 2021. CURE Epilepsy's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CURE Epilepsy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CURE Epilepsy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of CURE Epilepsy's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to CURE Epilepsy's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CURE Epilepsy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CURE Epilepsy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 CURE Epilepsy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CURE Epilepsy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 CURE Epilepsy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 address and date.

Park Ridge, Illinois  
April 1, 2022

Citizens United for Research in Epilepsy

Schedule of Findings and Questioned Costs

Year ended December 31, 2021

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issues:	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 program:	
Material weakness identified?	No
Significant deficiency identified no considered to be a material weakness?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2CFR.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 Brain Injury
Dollar threshold used to distinguish between Type A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None

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

None