

Epilepsy Foundation of America (dba Epilepsy Foundation)

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

*Years ended June 30, 2021 and 2020
with Report of Independent Auditors*

Epilepsy Foundation of America
(dba Epilepsy Foundation)

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

Years ended June 30, 2021 and 2020

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Report of Independent Auditors

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Epilepsy Foundation of America (dba Epilepsy Foundation) (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2021 and 2020 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Discontinued Operations

As discussed in Note 20 to the consolidated financial statements, the Foundation separated with the Epilepsy Foundation of Greater Los Angeles (EFGLA) effective January 31, 2021. Therefore, EFGLA operations have been classified as discontinued operations in these consolidated financial statements. Our opinion is not modified with respect to this matter.

Other Matter - Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 31 as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

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

Vienna, Virginia
November 18, 2021

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statements of Financial Position

	June 30,	
	2021	2020
Assets		
Cash and cash equivalents	\$ 2,382,508	\$ 9,990,417
Cash and cash equivalents - restricted	-	766,778
Investments	13,806,696	7,548,311
Contributions receivable, net	869,351	1,131,170
Government grants receivable	503,322	448,228
Due from affiliates	73,776	64,717
Prepaid expenses	165,397	374,070
Inventory	28,159	28,159
Fixed assets, net	517,465	751,855
Deferred rent asset	59	39,086
Beneficial interest in perpetual trusts	3,731,234	5,128,274
Beneficial interest in assets held by a community foundation	32,235	32,235
Total assets	\$ 22,110,202	\$ 26,303,300
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,680,807	\$ 1,263,506
Grants payable	597,210	2,405,210
Refundable advances	363,443	773,637
Paycheck Protection Program loan payable	2,001,450	2,001,450
Total liabilities	4,642,910	6,443,803
Net assets:		
Without donor restrictions	11,233,493	11,470,741
With donor restrictions	6,233,799	8,388,756
Total net assets	17,467,292	19,859,497
Total liabilities and net assets	\$ 22,110,202	\$ 26,303,300

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 9,541,719	\$ 689,953	\$ 10,231,672
Government grants	4,040,800	-	4,040,800
Affiliate fees	386,323	-	386,323
Sales of materials	4,499	-	4,499
Special events, net of direct expenses of \$906,031	1,532,741	-	1,532,741
Investment income, net	1,853,559	-	1,853,559
Miscellaneous revenue	240,958	-	240,958
Donated clothing poundage revenue	504,978	-	504,978
Change in value of beneficial interests in trust	-	523,943	523,943
Total revenue	18,105,577	1,213,896	19,319,473
Net assets released from donor restrictions	1,025,466	(1,025,466)	-
Total revenue	19,131,043	188,430	19,319,473
Expenses			
Program services:			
Research, Innovation and New Therapies	3,132,680	-	3,132,680
Public Health, Education and Awareness	3,617,794	-	3,617,794
Advocacy and Services for Individuals, Families and Communities	8,585,293	-	8,585,293
Total program services	15,335,767	-	15,335,767
Supporting services:			
Administrative	1,649,534	-	1,649,534
Fundraising	1,658,108	-	1,658,108
Total supporting services	3,307,642	-	3,307,642
Total expenses	18,643,409	-	18,643,409
Change in net assets before effects of discontinued operations	487,634	188,430	676,064
Loss from discontinued operations	(4,365,462)	1,297,193	(3,068,269)
Net assets released from restriction - discontinued operations	3,640,580	(3,640,580)	-
Change in net assets	(237,248)	(2,154,957)	(2,392,205)
Net assets, beginning of year	11,470,741	8,388,756	19,859,497
Net assets, end of year	\$ 11,233,493	\$ 6,233,799	\$ 17,467,292

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 18,332,180	\$ 1,949,466	\$ 20,281,646
Inherent contributions from acquisitions	379,814	-	379,814
Government grants	4,056,968	-	4,056,968
Affiliate fees	350,639	-	350,639
Sales of materials	12,479	-	12,479
Special events, net of direct expenses of \$1,356,598	1,844,226	-	1,844,226
Investment loss, net	(13,441)	-	(13,441)
Miscellaneous revenue	155,987	-	155,987
Donated clothing poundage revenue	335,628	-	335,628
Change in value of beneficial interests in trusts	19,889	(178,126)	(158,237)
Total revenue	25,474,369	1,771,340	27,245,709
Net assets released from donor restrictions	2,897,944	(2,897,944)	-
Total revenue	28,372,313	(1,126,604)	27,245,709
Expenses			
Program services:			
Research, Innovation and New Therapies	3,750,385	-	3,750,385
Public Health, Education and Awareness	5,072,533	-	5,072,533
Advocacy and Services for Individuals, Families and Communities	9,657,180	-	9,657,180
Total program services	18,480,098	-	18,480,098
Supporting services:			
Administrative	1,769,080	-	1,769,080
Fundraising	2,595,649	-	2,595,649
Total supporting services	4,364,729	-	4,364,729
Total expenses	22,844,827	-	22,844,827
Change in net assets before effects of discontinued operations	5,527,486	(1,126,604)	4,400,882
Loss from discontinued operations	(1,798,869)	173,165	(1,625,704)
Net assets released from restriction - discontinued operations	1,678,826	(1,678,826)	-
Change in net assets	5,407,443	(2,632,265)	2,775,178
Net assets, beginning of year	6,063,298	11,021,021	17,084,319
Net assets, end of year	\$ 11,470,741	\$ 8,388,756	\$ 19,859,497

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Functional Expenses

Year ended June 30, 2021

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research, Innovation and New Therapies</u>	<u>Public Health, Education and Awareness</u>	<u>Advocacy and Services for Individuals, Families and Communities</u>	<u>Total Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 427,854	\$ 1,283,288	\$ 4,153,963	\$ 5,865,105	\$ 879,816	\$ 701,667	\$ 1,581,483	\$ 7,446,588
Employee benefits	86,938	302,702	900,675	1,290,315	201,193	119,312	320,505	1,610,820
Total salary and benefit expenses	<u>514,792</u>	<u>1,585,990</u>	<u>5,054,638</u>	<u>7,155,420</u>	<u>1,081,009</u>	<u>820,979</u>	<u>1,901,988</u>	<u>9,057,408</u>
Special event expenses	-	522,291	126,030	648,321	88,409	169,301	257,710	906,031
Professional fees and consultants	1,208,046	928,305	2,080,968	4,217,319	180,059	279,618	459,677	4,676,996
Membership	10,049	3,877	21,903	35,829	5,656	4,407	10,063	45,892
Supplies and materials	219	396,961	27,668	424,848	8,450	2,924	11,374	436,222
Telephone	16,170	23,944	91,606	131,720	9,501	12,505	22,006	153,726
Postage and shipping	397	107,596	23,638	131,631	744	4,508	5,252	136,883
Occupancy	359,251	450,106	695,562	1,504,919	169,711	227,557	397,268	1,902,187
Equipment maintenance	118,268	162,124	187,572	467,964	80,776	224,629	305,405	773,369
Printing and publications	2,996	8,429	54,247	65,672	606	22,070	22,676	88,348
Travel and meetings	36,002	2,705	30,584	69,291	1,292	2,798	4,090	73,381
Payments to affiliates	-	-	465,943	465,943	-	-	-	465,943
Awards and grants	776,161	-	85,591	861,752	78	-	78	861,830
Miscellaneous	2,072	14,422	7,686	24,180	111,015	32,899	143,914	168,094
Depreciation and amortization	91,262	107,733	115,799	314,794	37,836	55,370	93,206	408,000
Distribution of EFGLA Assets	-	-	3,949,906	3,949,906	754,650	-	754,650	4,704,556
	<u>2,620,893</u>	<u>2,728,493</u>	<u>7,964,703</u>	<u>13,314,089</u>	<u>1,448,783</u>	<u>1,038,586</u>	<u>2,487,369</u>	<u>15,801,458</u>
Total expenses by function	<u>3,135,685</u>	<u>4,314,483</u>	<u>13,019,341</u>	<u>20,469,509</u>	<u>2,529,792</u>	<u>1,859,565</u>	<u>4,389,357</u>	<u>24,858,866</u>
Less expenses classified in other sections on the consolidated statement of activities:								
Special event expenses	-	(522,291)	(126,030)	(648,321)	(88,409)	(169,301)	(257,710)	(906,031)
EFGLA - discontinued operations	<u>(3,005)</u>	<u>(174,398)</u>	<u>(4,308,018)</u>	<u>(4,485,421)</u>	<u>(791,849)</u>	<u>(32,156)</u>	<u>(824,005)</u>	<u>(5,309,426)</u>
Total expenses included in the expense section on the consolidated statement of activities	<u>\$ 3,132,680</u>	<u>\$ 3,617,794</u>	<u>\$ 8,585,293</u>	<u>\$ 15,335,767</u>	<u>\$ 1,649,534</u>	<u>\$ 1,658,108</u>	<u>\$ 3,307,642</u>	<u>\$ 18,643,409</u>

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statement of Functional Expenses

Year ended June 30, 2020

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Research, Innovation and New Therapies</u>	<u>Public Health, Education and Awareness</u>	<u>Advocacy and Services for Individuals, Families and Communities</u>	<u>Total Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 781,612	\$ 1,832,660	\$ 5,257,984	\$ 7,872,256	\$ 894,565	\$ 996,873	\$ 1,891,438	\$ 9,763,694
Temporary personnel	237	333	791	1,361	39,523	171	39,694	41,055
Employee benefits	191,903	406,091	1,230,740	1,828,734	207,563	259,546	467,109	2,295,843
Total salary and benefit expenses	<u>973,752</u>	<u>2,239,084</u>	<u>6,489,515</u>	<u>9,702,351</u>	<u>1,141,651</u>	<u>1,256,590</u>	<u>2,398,241</u>	<u>12,100,592</u>
Special event expenses	-	964,071	-	964,071	-	392,527	392,527	1,356,598
Professional fees and consultants	800,827	1,496,425	1,586,052	3,883,304	257,801	525,425	783,226	4,666,530
Membership	5,413	10,226	27,162	42,801	8,293	5,634	13,927	56,728
Supplies and materials	7,531	563,232	90,403	661,166	9,659	235,290	244,949	906,115
Telephone	17,169	31,413	113,521	162,103	9,111	14,733	23,844	185,947
Postage and shipping	3,490	163,122	40,692	207,304	3,305	69,819	73,124	280,428
Occupancy	120,542	205,370	424,886	750,798	67,634	99,921	167,555	918,353
Equipment maintenance	26,004	157,203	71,076	254,283	111,495	247,169	358,664	612,947
Printing and publications	18,527	54,399	129,749	202,675	1,635	51,189	52,824	255,499
Travel and meetings	116,324	133,767	768,990	1,019,081	6,348	102,843	109,191	1,128,272
Payments to affiliates	-	-	502,157	502,157	-	-	-	502,157
Awards and grants	1,584,994	-	1,870,970	3,455,964	-	-	-	3,455,964
Miscellaneous	2,891	31,287	3,772	37,950	124,932	13,367	138,299	176,249
Depreciation and amortization	86,414	114,232	117,681	318,327	38,451	57,853	96,304	414,631
	<u>2,790,126</u>	<u>3,924,747</u>	<u>5,747,111</u>	<u>12,461,984</u>	<u>638,664</u>	<u>1,815,770</u>	<u>2,454,434</u>	<u>14,916,418</u>
Total expenses by function	<u>3,763,878</u>	<u>6,163,831</u>	<u>12,236,626</u>	<u>22,164,335</u>	<u>1,780,315</u>	<u>3,072,360</u>	<u>4,852,675</u>	<u>27,017,010</u>
Less expenses classified in other sections on the consolidated statement of activities:								
Special event expenses	-	(964,071)	-	(964,071)	-	(392,527)	(392,527)	(1,356,598)
EFGLA - discontinued operations	(13,493)	(127,227)	(2,579,446)	(2,720,166)	(11,235)	(84,184)	(95,419)	(2,815,585)
Total expenses included in the expense section on the consolidated statement of activities	<u>\$ 3,750,385</u>	<u>\$ 5,072,533</u>	<u>\$ 9,657,180</u>	<u>\$ 18,480,098</u>	<u>\$ 1,769,080</u>	<u>\$ 2,595,649</u>	<u>\$ 4,364,729</u>	<u>\$ 22,844,827</u>

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Consolidated Statements of Cash Flows

	Years ended June 30,	
	2021	2020
Cash flow from operating activities		
Net change in net assets	\$ (2,392,205)	\$ 2,775,178
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation & amortization	408,000	414,631
Change in allowance for doubtful accounts	(13,534)	46,549
Net realized and unrealized (gain) loss on investments	(1,421,820)	247,853
Change in beneficial interest in perpetual trusts	1,397,040	293,023
Change in beneficial interest in assets held by a community foundation	-	879
Inherent contributions from acquisitions	-	(379,814)
Changes in operating assets and liabilities:		
Contributions receivable	275,353	477,378
Government grants receivable	(55,094)	390,763
Due from affiliates	(9,059)	21,029
Prepaid expenses	208,673	(136,922)
Deferred rent	39,027	97,020
Accounts payable and accrued liabilities	417,301	(682,623)
Grants payable	(1,808,000)	1,312,266
Deferred revenue	-	(79,483)
Refundable advances	(410,194)	773,637
Net cash flows (used in) provided by operating activities	(3,364,512)	5,571,364
Cash flow from investing activities		
Purchase of property and equipment	(173,610)	(370,866)
Purchase of investments	(7,163,617)	(480,334)
Proceeds from sale of investments	2,327,052	1,010,000
Investments acquired from acquisitions	-	302,166
Cash acquired from acquisitions	-	6,465
Property and equipment acquired from acquisitions	-	14,568
Net cash flows (used in) provided by investing activities	(5,010,175)	481,999
Cash flow from financing activities		
PPP loan proceeds	-	2,001,450
Proceeds from line of credit	-	915,195
Payments on line of credit	-	(915,195)
Net cash provided by financing activities	-	2,001,450
Net change in cash and cash equivalents	(8,374,687)	8,054,813
Cash and cash equivalents, beginning of year	10,757,195	2,702,382
Cash and cash equivalents, end of year	\$ 2,382,508	\$ 10,757,195
Cash and cash equivalents:		
Cash	\$ 2,382,508	\$ 9,990,417
Cash and cash equivalents - restricted	-	766,778
	\$ 2,382,508	\$ 10,757,195

See accompanying notes to the consolidated financial statements.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements

Years ended June 30, 2021 and 2020

1. Summary of Significant Accounting Policies and General Information

Organization

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

During the year ended June 30, 2020, the Epilepsy Foundation acquired the Epilepsy Services of West Central Florida, Inc. (Central Florida). These financial statements include the results of operations subsequent to the effective dates of the acquisition.

During the year ended June 30, 2021, the Foundation separated with the Epilepsy Foundation of Greater Los Angeles (EFGLA) and accordingly, the related activity is reported as discontinued operations in the consolidated statements of activities. See Note 20 for further details regarding the separation. Additionally, Effective October 23, 2020, Epilepsy Ventures Fund LLC (the LLC) was formed as a Delaware limited liability company. The Foundation is the sole member of the LLC.

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

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

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

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

Organization (continued)

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

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

Basis of presentation

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

Principles of consolidation

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

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

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

Risks and uncertainties

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

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

Cash and cash equivalents

The Foundation considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents. Money market funds held by investment managers in the amount of \$281,183 and \$1,829,130 for the years ended June 30, 2021 and 2020, respectively, have been included in investments in the statements of financial position.

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

There was no restricted cash and cash equivalents as of the year ended June 30, 2021. \$766,778 in cash and cash equivalents were contractually restricted for the Care and Cure Institute by the donor as of June 30, 2020.

Investments

Investments are recorded at fair value.

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

Receivables

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

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

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

Fixed assets

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

Income taxes

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

For the years ended June 30, 2021 and 2020, the Epilepsy Foundation and the Epilepsy Research Foundation have documented their consideration for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Inventory

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

Beneficial interests in perpetual trust

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

Grants payable

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

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

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

Net assets

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

- **Net assets without donor restrictions** - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for chapter operations, future projects, and reserves.
- **Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

Revenue Recognition

Contributions and bequests

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

Contracts and grants

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

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

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

Donated clothing

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

Affiliate fees

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

Special events

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

Use of estimates

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

Functional allocation of expenses

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

Fair value

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

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

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

Reclassifications

Certain 2020 balances have been reclassified to conform to the 2021 presentation.

2. Liquidity and Availability of Resources

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

	June 30,	
Financial assets	2021	2020
Cash and cash equivalents	\$ 2,382,508	\$ 10,757,195
Investments	13,806,696	7,548,311
Contributions receivable, net	869,351	1,131,170
Government grants receivable	503,322	448,228
Due from affiliates	73,776	64,717
Beneficial interest in perpetual trusts	3,763,469	5,160,509
	21,399,122	25,110,130
Less those unavailable for general expenditure within one year		
Net assets with donor restrictions	6,233,799	8,388,756
Board designated net assets	7,073,000	9,509,300
Contributions receivable with a maturity greater than one year	24,985	132,845
Illiquid long term investments	200,000	200,000
	\$ 7,867,338	\$ 6,879,229

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

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

3. Investments

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

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 281,183	\$ 1,829,130
Common stocks	1,710,448	1,452,505
Mutual and exchange traded funds	11,232,870	3,603,779
Fixed income securities	99,728	124,896
Investment in TCG BDC II, Inc.	202,615	176,503
Investment in Blackstone REIT	79,852	161,498
Investment in Zeto, Inc.	<u>200,000</u>	<u>200,000</u>
Total investments	<u>\$ 13,806,696</u>	<u>\$ 7,548,311</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 431,739	\$ 234,412
Unrealized gains (losses), net	992,533	(413,088)
Realized gains, net	<u>429,287</u>	<u>165,235</u>
Total investment income (loss), net	<u>\$ 1,853,559</u>	<u>\$ (13,441)</u>

4. Contributions Receivable

Contributions receivable represent unconditional promises to give and are stated at their fair value based on discounted cash flows. Management has established an allowance for doubtful accounts for those receivables it does not believe to be collectible. During the years ended June 30, 2021 and 2020, the Foundation wrote off \$34,997 and \$12,265, respectively, of contributions receivable.

Contributions are due as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 844,366	\$ 998,325
One to five years	<u>58,000</u>	<u>179,394</u>
Total	902,366	1,177,719
Less: Reserve for uncollectible amounts	<u>(33,015)</u>	<u>(46,549)</u>
Contributions receivable, net	<u>\$ 869,351</u>	<u>\$ 1,131,170</u>

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

5. Related Party Transactions

There are certain amounts due from the affiliates for revenue sharing, affiliate dues, and grants. As of June 30, 2021 and 2020, the affiliates owed the Epilepsy Foundation \$73,776 and \$64,717, respectively.

Additionally, during the years ended June 30, 2021 and 2020, the Epilepsy Foundation received support of approximately \$320,488 and \$740,000, respectively from members of the Board of Directors.

6. Beneficial Interests in Trust

The Epilepsy Foundation is a beneficiary under several perpetual trusts. While the Epilepsy Foundation cannot spend its interest in the corpus of these perpetual trusts, it does receive annual distributions which can be spent based on the donor's intent. The fair value of the Epilepsy Foundation's interest in the trust assets is recorded as a permanently restricted contribution at the time its interest becomes irrevocable. As a result of the separation with EFGLA, \$2,194,032 of the perpetual trust balance was transferred to EFGLA and recorded as net assets released from donor restrictions on the consolidated statements of activities for the Foundation during the year ended June 30, 2021. Changes in the perpetual trust's value are recorded on the consolidated statements of activities as a change in value of split interest agreements. At June 30, 2021 and 2020, the fair value of the perpetual trust investments was \$3,731,234 and \$5,128,274, respectively.

7. Net Assets Without Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 4,160,493	\$ 1,961,441
Board Designated:		
Chapter operations	754,650	1,509,300
Reserves	3,000,000	3,000,000
Future projects	<u>3,318,350</u>	<u>5,000,000</u>
Total net assets without donor restrictions	<u>\$ 11,233,493</u>	<u>\$ 11,470,741</u>

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

8. Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Care and Cure Institute	\$ 138,116	\$ 247,660
Pooled Income Fund	40,520	32,867
Advocacy and Services for Individuals, Families and Communities	542,089	592,140
Lizzie Saft Fund	-	311,329
Pipeline Conference	-	219,500
Robert W. Johnson	90,378	500,000
Uber	76,572	78,039
EVF	273,273	-
Various States	80,713	58,012
Other	96,101	15,133
	1,337,762	2,054,680
Beneficial interest in perpetual trusts (restricted in perpetuity):		
General activities	1,845,933	1,629,575
General activities (EFGLA)	-	1,920,983
Individuals or Organizations in Louisville, Kentucky	649,742	539,973
Research	1,235,559	1,037,743
	3,731,234	5,128,274
Otherwise restricted in perpetuity:		
Beneficial Interest in Assets held by a Community Foundation	38,203	32,234
Research	1,125,600	1,125,600
Education and Awareness	1,000	47,968
	1,164,803	1,205,802
Total net assets with donor restrictions	\$ 6,233,799	\$ 8,388,756

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

9. Net Assets Released from Restrictions

Net assets with donor restrictions were released from restrictions by incurring expenses or by the passage of time which satisfied the restricted purposes specified by the donors during the years ended June 30, 2021 and 2020. Additionally, certain net assets were released from donor restriction as a result of the separation with EFGLA during the year ended June 30, 2021.

The table below summarizes the net assets released from donor restrictions during the years ended June 30:

	2021	2020
Satisfaction of purpose restrictions:		
Next Generation Therapies Campaign	\$ -	\$ 1,139,725
Advocacy and Services for Individuals, Families and Communities	293,812	1,287,716
Education and Awareness	-	95,304
Education and Awareness (EFGLA)	41,000	-
Pooled Income Fund	-	352,488
Care & Cure Institute (EFGLA)	1,125,219	1,651,326
Lizzie Saft Fund (EFGLA)	321,329	27,500
Pipeline Conference	219,500	-
General activities (EFGLA)	2,153,032	-
Robert W. Johnson	409,622	-
Uber	1,467	21,961
EVF	6,000	-
Various States	4,500	750
Other	90,565	-
Total net assets released from restrictions	\$ 4,666,046	\$ 4,576,770

10. Lease Commitment

The Foundation leased office space in Landover, Maryland under an operating lease. The lease was amended on July 16, 2018. Effective June 1, 2021, the Foundation and landlord terminated the lease agreement. As part of the termination agreement, the Foundation paid the landlord \$1,200,000 and is released from making future rent payments.

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

10. Lease Commitment (Continued)

The Foundation also has operating leases for office space in Arizona, Alabama, Florida, Iowa, Indiana, Mississippi, California, Oklahoma, Nebraska, Maryland, Utah, and West Virginia. These leases have terms expiring between 2021 and 2023. As of June 30, 2021 and 2020, there was \$59 and \$39,086, respectively, in deferred rent. Rent expense for the years ended June 30, 2021 and 2020 was \$1,726,170 and \$765,290, respectively. The rent expense for the year ended June 30, 2021 includes the \$1,200,000 termination payment for the Landover, Maryland office space. Rent expense is recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent asset or liability on the consolidated statements of financial position.

The future minimum lease payments required under the Foundation's noncancellable operating leases as of June 30, 2021 are approximately as follows:

<u>Year Ending June 30,</u>	
2022	\$ 104,276
2023	<u>25,130</u>
	<u>\$ 129,406</u>

11. Contingency

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

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2021. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

12. Line of Credit

In 2018, the Foundation obtained a \$5,219,000 line of credit with a financial institution. In the event of a withdrawal, certain investments of the Foundation are collateralized against the line of credit. The effective interest rate on the line of credit was 2.60% and 2.68% as of June 30, 2021 and 2020, respectively. There were no amounts outstanding related to the line of credit as of June 30, 2021 and 2020, respectively. No amounts were drawn on the line of credit during the year ended June 30, 2021. Amounts drawn on the line of credit and repaid during the year ended June 30, 2020 were \$915,195.

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

13. Pension Plan

The Foundation has a 401(k) Thrift Plan under which the Foundation contributes four percent of each qualified employee's salary, plus up to a three percent matching contribution after 1000 hours and one year of service. Under the terms of this plan, all employees who meet minimum service and age requirements are eligible to participate. The Foundation's contributions to the pension plan for the years ended June 30, 2021 and 2020 were \$440,189 and \$508,855, respectively.

14. Allocation of Joint Costs

For the years ended June 30, 2021 and 2020, the Foundation incurred joint costs of approximately \$852,529 and \$1,422,754, respectively, related to educational information included in its fundraising appeals. Of those costs, \$247,233 and \$412,599, respectively, were allocated to fundraising expenses and \$605,296 and \$1,010,155, respectively, were allocated to Education and Awareness for the years then ended.

15. Grants Payable

The Foundation awards research grants to researchers based on the merit of proposals submitted to a review committee. Researchers who accept Foundation grants are required to report the amount expended as well as the results and conclusions of their work. The grants are awarded to the universities or other organizations to which the researchers are associated. The amounts owed to universities or other organizations were \$597,210 and \$2,405,210 at June 30, 2021 and 2020, respectively. All grants were considered payable within the next fiscal year as of June 30, 2021 and 2020.

16. Fair Value Measurement

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

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

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

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

16. Fair Value Measurement (Continued)

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

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

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

The table below summarizes, by level within the fair value hierarchy on a recurring basis, the Foundation's investments as of June 30, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2021</u>
Asset Class:				
Money market funds	\$ 281,183	\$ -	\$ -	\$ 281,183
Common stocks	1,710,448	-	-	1,710,448
Mutual and exchange traded funds	11,232,870	-	-	11,232,870
Fixed income securities	-	99,728	-	99,728
Zeto, Inc. convertible note	-	-	200,000	200,000
Beneficial interest in assets held by a community foundation	-	-	32,235	32,235
Beneficial interest in perpetual trusts	-	-	3,731,234	3,731,234
	<u>13,224,501</u>	<u>99,728</u>	<u>3,963,469</u>	<u>17,287,698</u>
Investment in TCG BDC II, Inc. **	-	-	-	202,615
Investment in Blackstone REIT **	-	-	-	79,852
Total	<u>\$ 13,224,501</u>	<u>\$ 99,728</u>	<u>\$ 3,963,469</u>	<u>\$ 17,570,165</u>

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

16. Fair Value Measurement (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2020</u>
Asset Class:				
Money market funds	\$ 1,829,130	\$ -	\$ -	\$ 1,829,130
Common stocks	1,452,505	-	-	1,452,505
Mutual and exchange traded funds	3,603,779	-	-	3,603,779
Fixed income securities	-	124,896	-	124,896
Zeto, Inc. convertible note	-	-	200,000	200,000
Beneficial interest in assets held by a community foundation	-	-	32,235	32,235
Beneficial interest in perpetual trusts	-	-	5,128,274	5,128,274
	<u>6,885,414</u>	<u>124,896</u>	<u>5,360,509</u>	<u>12,370,819</u>
Investment in TCG BDC II, Inc. **	-	-	-	176,503
Investment in Blackstone REIT **	-	-	-	161,498
	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,498</u>
Total	<u>\$ 6,885,414</u>	<u>\$ 124,896</u>	<u>\$ 5,360,509</u>	<u>\$ 12,708,820</u>

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

Level 3 financial assets

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

As a result of the separation with EFGLA, \$2,194,032 of the beneficial interest in perpetual trusts balance was transferred to EFGLA during the year ended June 30, 2021.

There were no transfers into or out of Level 3 financial assets during the years ended June 30, 2021 and 2020.

Investments valued using practical expedient

The Foundation invested \$53,155 in TCG BDC II, Inc. during the year-ended June 30, 2018. Additionally, the Foundation invested \$250,000 in the Blackstone REIT during the year-ended June 30, 2019. There were remaining commitments of approximately \$47,000 and \$63,000 for TCG BDC II, Inc., from the Foundation, for future investment in TCG BDC II, Inc, as of June 30, 2021 and 2020, respectively. There is no remaining commitment for the Blackstone REIT.

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Notes to Consolidated Financial Statements (Continued)

17. Endowment

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

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

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

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

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

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

	2021	2020
Donor-restricted endowment funds	\$ 1,164,803	\$ 1,205,802
Beneficial interest in perpetual trusts	3,731,234	5,128,274
Total funds	\$ 4,896,037	\$ 6,334,076

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Notes to Consolidated Financial Statements (Continued)

17. Endowment (Continued)

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

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 6,334,076	\$ 6,627,103
Investment income (loss):		
Investment income	25,083	35,042
Net appreciation (depreciation)	<u>755,993</u>	<u>(293,023)</u>
Total investment income (loss)	<u>781,076</u>	<u>(257,981)</u>
Transfer of EFGLA endowment funds	(2,194,032)	-
Appropriation of endowment assets	<u>(25,083)</u>	<u>(35,046)</u>
Endowment net assets, end of year	<u>\$ 4,896,037</u>	<u>\$ 6,334,076</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2021 and 2020, there were no deficiencies. Deficiencies of this type can be the result of unfavorable market fluctuations occurring after the investment of donor restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

The Foundation has interpreted applicable state trust law to allow for spending from underwater endowments in a prudent manner. There were no underwater endowment funds as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters

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

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Notes to Consolidated Financial Statements (Continued)

17. Endowment (Continued)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

18. Fixed Assets

The Foundation's fixed assets as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 879,929	\$ 918,866
Computer software	5,365,796	5,187,451
Leasehold improvements	<u>174,726</u>	<u>174,726</u>
	6,420,451	6,281,043
Less: accumulated depreciation and amortization	<u>(5,902,986)</u>	<u>(5,529,188)</u>
Fixed assets, net	<u>\$ 517,465</u>	<u>\$ 751,855</u>

19. Paycheck Protection Program (PPP) Loan

On April 20, 2020, the Foundation received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of \$2,001,450 (the PPP Loan). As of the years ended June 30, 2021 and 2020, the Foundation has elected to account for the PPP Loan in accordance with GAAP for debt, and the full loan amount is included as a liability on the consolidated statements of financial position. The PPP Loan bears interest at 1% per annum and matures after two years. To the extent that the proceeds are used to pay for qualified expenses during the 24-week period following the receipt of the PPP Loan and other employment criteria required by the Program have been met by the Foundation, the PPP Loan is subject to forgiveness under the Program, upon the Foundation's request.

The Foundation received approval for full forgiveness from the Small Business Administration for the PPP Loan on July 26, 2021. The forgiven amount will be recognized as a gain on forgiveness of debt during the year ended June 30, 2022.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

20. Discontinued Operations

Effective January 31, 2021, the Foundation separated with EFGLA. EFGLA assets and liabilities as of the separation date were transferred from the Foundation and are not included on the consolidated statements of financial position for the year ended June 30, 2021. Additionally, EFGLA expenses and revenues are no longer included on the Foundation's consolidated statement of activities as of the separation date. In accordance with GAAP, the Foundation recorded the excess of assets over liabilities that were transferred as a loss from discontinued operations on the consolidated statements of activities. EFGLA net assets with donor restrictions at the date of the separation are included in the net assets released from donor restrictions amount on the consolidated statements of activities. A summary of EFGLA branch's operations for the years ended June 30, 2021 and 2020 is as follows:

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

20. Discontinued Operations (Continued)

	Year ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 146,831	\$ 49,482	\$ 196,313
Special events, net of direct expenses	521,597	1,015,661	1,537,258
Miscellaneous revenue	1,060	-	1,060
Donated clothing poundage revenue	274,476	-	274,476
Change in value of beneficial interests in trust	-	232,050	232,050
Total revenue	943,964	1,297,193	2,241,157
Expenses			
Program services:			
Research, Innovation and New Therapies	3,005	-	3,005
Public Health, Education and Awareness	174,398	-	174,398
Advocacy and Services for Individuals, Families and Communities	4,308,018	-	4,308,018
Total program services	4,485,421	-	4,485,421
Supporting services:			
Administrative	791,849	-	791,849
Fundraising	32,156	-	32,156
Total supporting services	824,005	-	824,005
Total expenses	5,309,426	-	5,309,426
Loss from discontinued operations	(4,365,462)	1,297,193	(3,068,269)
Net assets released from donor restrictions	3,640,580	(3,640,580)	-
Change in net assets	\$ (724,882)	\$ (2,343,387)	\$ (3,068,269)

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

20. Discontinued Operations (Continued)

	Year ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 734,120	\$ 157,482	\$ 891,602
Special events, net of direct expenses	(6,716)	136,548	129,832
Miscellaneous revenue	6,457	-	6,457
Donated clothing poundage revenue	282,855	-	282,855
Change in value of beneficial interests in trust	-	(120,865)	(120,865)
Total revenue	1,016,716	173,165	1,189,881
Expenses			
Program services:			
Research, Innovation and New Therapies	13,493	-	13,493
Public Health, Education and Awareness	127,227	-	127,227
Advocacy and Services for Individuals, Families and Communities	2,579,446	-	2,579,446
Total program services	2,720,166	-	2,720,166
Supporting services:			
Administrative	11,235	-	11,235
Fundraising	84,184	-	84,184
Total supporting services	95,419	-	95,419
Total expenses	2,815,585	-	2,815,585
Loss from discontinued operations	(1,798,869)	173,165	(1,625,704)
Net assets released from donor restrictions	1,678,826	(1,678,826)	-
Change in net assets	\$ (120,043)	\$ (1,505,661)	\$ (1,625,704)

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to Consolidated Financial Statements (Continued)

21. Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 18, 2021, the date the consolidated financial statements were issued.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Expenditures</u>
Department of Human and Health Services - Center for Disease Control: Improving Epilepsy Programs, Services and Outcomes Through Partnerships	N/A	93.850	\$ <u>322,000</u>	\$ <u>3,502,100</u>
Total expenditures of federal awards			\$ <u><u>322,000</u></u>	\$ <u><u>3,502,100</u></u>

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Epilepsy Foundation of America (dba Epilepsy Foundation) (the Foundation), under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

Note 2. Summary of Significant Accounting Policies

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

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

Report of Independent Auditors

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Epilepsy Foundation of America (dba Epilepsy Foundation) (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Vienna, Virginia
November 18, 2021

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

Report of Independent Auditors

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

Report on Compliance for Each Major Federal Program

We have audited the Epilepsy Foundation of America's (dba Epilepsy Foundation) (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2021. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Vienna, Virginia
November 18, 2021

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

CFDA Number
93.850

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

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

Section II - Financial Statement Findings

No matters reported.

Section III - Federal Award Findings and Questioned Costs

No matters reported.

Epilepsy Foundation of America
(dba Epilepsy Foundation)

Summary of Prior Year Findings

For the year ended June 30, 2021

Finding 2020-001: Significant Deficiency over Subrecipient Reporting

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

CFDA Number: 93.110

Criteria:

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

Condition:

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

Context:

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

2021 Status of finding:

During the current year, the Foundation filed all FFATA reports for subrecipients receiving direct awards in excess of \$25,000 in a timely manner.