

COMBINED FINANCIAL STATEMENTS

**EPILEPSY FOUNDATION AND THE
EPILEPSY RESEARCH FOUNDATION**

**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2-3
EXHIBIT A - Combined Statements of Financial Position, as of June 30, 2015 and 2014	4
EXHIBIT B - Combined Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2015 and 2014	5-6
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended June 30, 2015	7-8
EXHIBIT D - Combined Statement of Functional Expenses, for the Year Ended June 30, 2014	9-10
EXHIBIT E - Combined Statements of Cash Flows, for the Years Ended June 30, 2015 and 2014	11
NOTES TO COMBINED FINANCIAL STATEMENTS	12-24

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Epilepsy Foundation and the
Epilepsy Research Foundation
Landover, Maryland

We have audited the accompanying combined statements of financial position of the Epilepsy Foundation and the Epilepsy Research Foundation (collectively, the Foundation), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Foundation as of June 30, 2015 and 2014, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

January 25, 2016

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,246,451	\$ 2,449,383
Receivables:		
Due from Affiliates	145,770	154,842
Government grants receivable	462,391	522,995
Contributions receivable net of allowance for doubtful accounts of \$129,384 and \$164,824 in 2015 and 2014, respectively	<u>1,438,903</u>	<u>1,798,330</u>
Total receivables	<u>2,047,064</u>	<u>2,476,167</u>
Prepaid expenses	35,189	349,679
Inventory	<u>4,891</u>	<u>11,997</u>
Total current assets	<u>4,333,595</u>	<u>5,287,226</u>
INVESTMENTS	<u>7,308,429</u>	<u>7,356,352</u>
FIXED ASSETS		
Furniture and equipment	669,243	629,224
Computer software	3,624,874	3,609,492
Leasehold improvements	<u>174,726</u>	<u>174,726</u>
	4,468,843	4,413,442
Less: Accumulated depreciation and amortization	<u>(3,696,577)</u>	<u>(3,230,986)</u>
Net fixed assets	<u>772,266</u>	<u>1,182,456</u>
NON-CURRENT ASSETS		
Deferred rent asset	219,757	91,792
Contributions receivable, net of current portion	300,000	100,000
Beneficial interest in perpetual trusts	<u>3,387,489</u>	<u>3,498,805</u>
Total non-current assets	<u>3,907,246</u>	<u>3,690,597</u>
TOTAL ASSETS	<u>\$ 16,321,536</u>	<u>\$ 17,516,631</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,541,393	\$ 2,078,421
Due to Affiliates	458,627	469,416
Grants payable	1,142,497	1,442,552
Deferred revenue	<u>16,864</u>	<u>339,093</u>
Total current liabilities	<u>3,159,381</u>	<u>4,329,482</u>
NET ASSETS		
Unrestricted	6,982,188	5,505,945
Temporarily restricted	1,706,877	3,096,798
Permanently restricted	<u>4,473,090</u>	<u>4,584,406</u>
Total net assets	<u>13,162,155</u>	<u>13,187,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,321,536</u>	<u>\$ 17,516,631</u>

See accompanying notes to combined financial statements.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions	\$ 5,559,292	\$ 1,542,658	\$ -	\$ 7,101,950
Government grants	3,172,187	-	-	3,172,187
PCORI contracts	480,920	-	-	480,920
Affiliate fees	421,318	-	-	421,318
Contributed services	83,594	-	-	83,594
Sales of materials, net of direct expenses of \$7,106 in 2015 and \$11,996 in 2014	23,938	-	-	23,938
Special events, net of direct expenses of \$744,671 in 2015 and \$966,438 in 2014	865,957	140,568	-	1,006,525
Investment income	690,412	35,530	-	725,942
Miscellaneous revenue	19,532	69,115	-	88,647
Gain on lease restructure	-	-	-	-
Donated clothing poundage revenue, net of direct expenses of \$586,453 in 2015 and \$4,403,955 in 2014	395,026	-	-	395,026
Change in value of split interest agreements	(14,812)	1,573	(111,316)	(124,555)
Net assets released from donor restrictions	<u>3,179,365</u>	<u>(3,179,365)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>14,876,729</u>	<u>(1,389,921)</u>	<u>(111,316)</u>	<u>13,375,492</u>
EXPENSES				
Program Services:				
Research	2,075,703	-	-	2,075,703
Public Health Education	2,051,517	-	-	2,051,517
Professional Education and Training	61,022	-	-	61,022
Community Services	4,534,969	-	-	4,534,969
Patient Services	<u>690,206</u>	<u>-</u>	<u>-</u>	<u>690,206</u>
Total program services	<u>9,413,417</u>	<u>-</u>	<u>-</u>	<u>9,413,417</u>
Supporting Services:				
Management and General	1,493,627	-	-	1,493,627
Fundraising	<u>2,493,442</u>	<u>-</u>	<u>-</u>	<u>2,493,442</u>
Total supporting services	<u>3,987,069</u>	<u>-</u>	<u>-</u>	<u>3,987,069</u>
Total expenses	<u>13,400,486</u>	<u>-</u>	<u>-</u>	<u>13,400,486</u>
Changes in net assets	1,476,243	(1,389,921)	(111,316)	(24,994)
Net assets at beginning of year (Note 17)	<u>5,505,945</u>	<u>3,096,798</u>	<u>4,584,406</u>	<u>13,187,149</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,982,188</u>	<u>\$ 1,706,877</u>	<u>\$ 4,473,090</u>	<u>\$ 13,162,155</u>

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 5,030,926	\$ 2,522,445	\$ 50,000	\$ 7,603,371
3,672,198	-	-	3,672,198
145,894	-	-	145,894
389,816	-	-	389,816
133,515	-	-	133,515
26,276	-	-	26,276
753,798	112,625	-	866,423
805,740	143,714	-	949,454
70,923	78,361	-	149,284
836,693	-	-	836,693
463,630	-	-	463,630
(14,746)	2,035	233,270	220,559
<u>4,497,874</u>	<u>(4,497,874)</u>	<u>-</u>	<u>-</u>
<u>16,812,537</u>	<u>(1,638,694)</u>	<u>283,270</u>	<u>15,457,113</u>
3,237,398	-	-	3,237,398
2,337,803	-	-	2,337,803
51,821	-	-	51,821
4,237,629	-	-	4,237,629
<u>731,219</u>	<u>-</u>	<u>-</u>	<u>731,219</u>
<u>10,595,870</u>	<u>-</u>	<u>-</u>	<u>10,595,870</u>
1,767,692	-	-	1,767,692
<u>2,703,965</u>	<u>-</u>	<u>-</u>	<u>2,703,965</u>
<u>4,471,657</u>	<u>-</u>	<u>-</u>	<u>4,471,657</u>
<u>15,067,527</u>	<u>-</u>	<u>-</u>	<u>15,067,527</u>
1,745,010	(1,638,694)	283,270	389,586
<u>3,760,935</u>	<u>4,735,492</u>	<u>4,301,136</u>	<u>12,797,563</u>
<u>\$ 5,505,945</u>	<u>\$ 3,096,798</u>	<u>\$ 4,584,406</u>	<u>\$ 13,187,149</u>

See accompanying notes to combined financial statements.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services			
	Research	Public Health Education	Professional Education and Training	Community Services
Salaries	\$ 323,350	\$ 559,863	\$ 740	\$1,476,067
Temporary personnel	-	-	-	6,019
Employee benefits	64,358	111,432	147	293,789
 Total salary and benefit expenses	 387,708	 671,295	 887	 1,775,875
 Professional fees and contract services	 108,827	 690,731	 20,932	 742,098
Membership	62	78	-	5,668
Supplies and materials	21,673	108,233	29	9,595
Telephone	6,376	13,432	94	17,351
Postage and shipping	1,244	251,214	1,799	3,090
Occupancy	72,433	71,760	2,121	159,407
Equipment maintenance	33,378	49,827	3,046	9,830
Printing and publications	4,153	39,793	15,992	33,780
Travel and meetings	93,875	49,834	14,005	376,325
Payments to Affiliates	-	33,000	-	1,233,755
Awards and grants	1,273,701	-	-	2,000
Miscellaneous	18	737	1	7,862
Depreciation and amortization	72,255	71,583	2,116	158,333
	<u>1,687,995</u>	<u>1,380,222</u>	<u>60,135</u>	<u>2,759,094</u>
 TOTAL	 <u>\$ 2,075,703</u>	 <u>\$ 2,051,517</u>	 <u>\$ 61,022</u>	 <u>\$4,534,969</u>

		Supporting Services				
Patient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
\$ 326,927	\$ 2,686,947	\$ 598,737	\$ 849,079	\$ 1,447,816	\$ 4,134,763	
4,015	10,034	-	21,137	21,137	31,171	
65,070	534,796	119,170	168,997	288,167	822,963	
<u>396,012</u>	<u>3,231,777</u>	<u>717,907</u>	<u>1,039,213</u>	<u>1,757,120</u>	<u>4,988,897</u>	
93,162	1,655,750	566,873	597,566	1,164,439	2,820,189	
7,178	12,986	808	8,564	9,372	22,358	
2,259	141,789	1,689	525,484	527,173	668,962	
5,299	42,552	4,548	10,627	15,175	57,727	
7,491	264,838	2,551	14,556	17,107	281,945	
24,283	330,004	49,901	106,053	155,954	485,958	
5,811	101,892	19,465	2,264	21,729	123,621	
52,315	146,033	13,746	15,224	28,970	175,003	
38,720	572,759	25,081	85,690	110,771	683,530	
-	1,266,755	-	-	-	1,266,755	
33,447	1,309,148	-	813	813	1,309,961	
6	8,624	41,281	84	41,365	49,989	
24,223	328,510	49,777	87,304	137,081	465,591	
<u>294,194</u>	<u>6,181,640</u>	<u>775,720</u>	<u>1,454,229</u>	<u>2,229,949</u>	<u>8,411,589</u>	
<u>\$ 690,206</u>	<u>\$ 9,413,417</u>	<u>\$ 1,493,627</u>	<u>\$ 2,493,442</u>	<u>\$ 3,987,069</u>	<u>\$ 13,400,486</u>	

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services			
	Research	Public Health Education	Professional Education and Training	Community Services
Salaries	\$ 220,504	\$ 690,630	\$ -	\$1,416,350
Temporary personnel	-	-	-	-
Employee benefits	44,893	158,780	-	347,926
 Total salary and benefit expenses	 265,397	 849,410	 -	 1,764,276
 Professional fees and contract services	 179,365	 772,314	 30,895	 522,928
Membership	981	2,635	-	8,077
Supplies and materials	2,169	223,476	706	8,695
Telephone	13,585	16,157	169	23,510
Postage and shipping	1,628	89,808	192	5,558
Occupancy	124,537	89,931	1,997	163,990
Equipment maintenance	34,589	45,596	45	3,651
Printing and publications	5,882	95,123	7,564	82,389
Travel and meetings	287,706	56,821	9,337	244,556
Payments to Affiliates	-	53,750	-	1,335,380
Awards and grants	2,264,434	-	-	-
Miscellaneous	48	1,566	1	(90)
Depreciation and amortization	57,077	41,216	915	74,709
	<u>2,972,001</u>	<u>1,488,393</u>	<u>51,821</u>	<u>2,473,353</u>
 TOTAL	 <u>\$ 3,237,398</u>	 <u>\$ 2,337,803</u>	 <u>\$ 51,821</u>	 <u>\$4,237,629</u>

Supporting Services					
Patient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 353,045	\$ 2,680,529	\$ 762,614	\$ 852,384	\$ 1,614,998	\$ 4,295,527
-	-	11,467	20,367	31,834	31,834
81,720	633,319	185,940	191,907	377,847	1,011,166
434,765	3,313,848	960,021	1,064,658	2,024,679	5,338,527
124,389	1,629,891	531,461	649,069	1,180,530	2,810,421
2,376	14,069	3,706	10,150	13,856	27,925
1,225	236,271	12,389	432,183	444,572	680,843
8,113	61,534	13,948	17,783	31,731	93,265
9,958	107,144	3,341	201,765	205,106	312,250
28,129	408,584	62,851	117,014	179,865	588,449
630	84,511	59,228	2,330	61,558	146,069
42,709	233,667	12,709	41,618	54,327	287,994
23,363	621,783	34,626	112,526	147,152	768,935
-	1,389,130	-	-	-	1,389,130
42,392	2,306,826	-	-	-	2,306,826
278	1,803	44,607	7,197	51,804	53,607
12,892	186,809	28,805	47,672	76,477	263,286
296,454	7,282,022	807,671	1,639,307	2,446,978	9,729,000
\$ 731,219	\$ 10,595,870	\$ 1,767,692	\$ 2,703,965	\$ 4,471,657	\$ 15,067,527

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (24,994)	\$ 389,586
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	465,591	263,286
Change in allowance for doubtful accounts	(35,440)	(1,600)
Unrealized gain on investments	(293,577)	(305,088)
Realized gain on investments	(300,242)	(498,891)
Change in value of beneficial interest in perpetual trusts	111,316	(233,270)
Loss on disposal of fixed assets	-	61,774
Contribution of permanently restricted net assets	-	(50,000)
(Increase) decrease in:		
Receivables	264,543	2,026,768
Prepaid expenses	314,490	(133,023)
Inventory	7,106	11,198
Deferred rent asset	(127,965)	(91,792)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(537,028)	(84,456)
Due to Affiliates	(10,789)	(154,746)
Grants payable	(300,055)	(566,096)
Deferred revenue	(322,229)	213,924
Deferred rent abatement	-	(382,478)
Net cash (used) provided by operating activities	<u>(789,273)</u>	<u>465,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(55,401)	(1,001,152)
Purchases of investments	(277,268)	(428,758)
Proceeds from sales of investments	<u>919,010</u>	<u>2,331,294</u>
Net cash provided by investing activities	<u>586,341</u>	<u>901,384</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution of permanently restricted net assets	<u>-</u>	<u>50,000</u>
Net cash provided by financing activities	<u>-</u>	<u>50,000</u>
Net (decrease) increase in cash and cash equivalents	(202,932)	1,416,480
Cash and cash equivalents at beginning of year	<u>2,449,383</u>	<u>1,032,903</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,246,451</u>	<u>\$ 2,449,383</u>

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Epilepsy Foundation is a non-profit organization, incorporated under the laws of the State of Delaware. The Epilepsy Foundation was established to promote research into the causes and treatments of epilepsy, to support educational and vocational programs for persons with epilepsy, and to provide educational information about epilepsy to the general public. The Epilepsy Foundation is responsible for national programs and the dissemination of information, technical and administrative assistance to its Affiliates, and the development of program and operational standards for its affiliates. The Affiliates, which are separately incorporated and granted tax exemption, are responsible for delivering programs, information and services at the local level. The accompanying combined financial statements do not include the activities of the Affiliates.

The Epilepsy Research Foundation (the Research Foundation) was organized in June 2003 as a Commonwealth of Virginia not-for-profit corporation, to be a supporting organization to both the Epilepsy Foundation and The Epilepsy Therapy Project (later renamed the Epilepsy Therapy Group), to facilitate joint fundraising efforts and develop an innovative research program. Subsequently, the Epilepsy Foundation merged with the Epilepsy Therapy Group and the Research Foundation remains a supporting organization of the combined entity.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Principles of combination -

These financial statements combine the accounts of the Epilepsy Foundation and the Epilepsy Research Foundation (collectively, the Foundation) pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, combination 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 inter-company accounts and transactions have been eliminated in combination.

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, and excluding money market funds held by investment managers in the amount of \$39,399 and \$26,448 for the years ended June 30, 2015 and 2014, respectively.

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.

Investments -

Investments are recorded at their readily determinable fair value with the exception of common stock of certain privately held companies in the healthcare and pharmaceutical industries that are accounted for using the cost basis of the stock, which approximates fair value. Realized and unrealized gains and losses are included in investment income in the Combined Statements of Activities and Changes in Net Assets.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Receivables -

Receivables approximate fair 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.

Fixed assets -

Fixed assets are stated at cost. Fixed assets costing in excess of \$500 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. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. Neither is a private foundation.

The Foundation files income tax and informational returns in the United States Federal and Maryland jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

Uncertain tax positions -

For the years ended June 30, 2015 and 2014, the Epilepsy Foundation and the Epilepsy Research Foundation have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 market value using the weighted average method of inventory.

Split interest agreements -

Split interest agreements 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.

Grants payable -

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

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Foundation.

Contributions, contracts and grants -

Contributions, contracts and grants are recorded as revenue in the year notification is received from the donor. Contributions, contracts and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Contributions, contracts and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

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 exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined 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 Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Investment risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 that such changes could materially affect the amounts reported in the combined financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 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. The Foundation accounts for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

The Foundation values its investments at their readily determinable fair value, except for certain common stock which is held of privately held companies in the healthcare and pharmaceutical industries which are valued using the cost basis of the stock, which approximates fair value.

Investments consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Equity mutual funds	\$ 3,585,185	\$ 3,817,263
Fixed income mutual funds	2,980,556	3,177,605
Money market funds	39,399	26,448
Shares of NeuroGenomeX, Inc.	137,124	137,124
Shares of Adamas Pharmaceuticals	466,165	97,912
Shares of Poliwogg	<u>100,000</u>	<u>100,000</u>
TOTAL INVESTMENTS	<u>\$ 7,308,429</u>	<u>\$ 7,356,352</u>

Included in investment income are the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 132,123	\$ 145,475
Unrealized gain	293,577	305,088
Realized gain	<u>300,242</u>	<u>498,891</u>
TOTAL INVESTMENT INCOME	<u>\$ 725,942</u>	<u>\$ 949,454</u>

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. Management has established an allowance for doubtful accounts for those receivables it does not believe to be collectible. During 2014, no additional provision for uncollectible pledges was deemed necessary for the year ended June 2015. No additional provision for uncollectible pledges was recorded during the years ended June 30, 2015 or 2014.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

3. CONTRIBUTIONS RECEIVABLE (Continued)

Contributions are due as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,568,287	\$ 1,963,154
One to five years	<u>300,000</u>	<u>100,000</u>
Total	1,868,287	2,063,154
Less: Reserve for uncollectible grants	<u>(129,384)</u>	<u>(164,824)</u>
CONTRIBUTIONS RECEIVABLE, NET	<u>\$ 1,738,903</u>	<u>\$ 1,898,330</u>

4. DUE TO/FROM AFFILIATES

There are certain amounts due from the Affiliates for revenue sharing and affiliate dues, and certain amounts due to the Affiliates for grants and revenue sharing. As of June 30, 2015 and 2014, the Epilepsy Foundation owed \$458,627 and \$469,416 to Affiliates, respectively. The Affiliates owed the Epilepsy Foundation \$145,770 and \$154,842 as of June 30, 2015 and 2014, respectively.

5. SPLIT INTEREST AGREEMENTS

A summary of the types of irrevocable split interest agreements which the Epilepsy Foundation has recorded are as follows:

- **Perpetual Trusts** - 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. Changes in the perpetual trust's value are recorded on the Combined Statements of Activities and Changes in Net Assets as a change in value of split interest agreements. At June 30, 2015 and 2014, the fair value of the charitable gift annuity investments was \$3,387,489 and \$3,498,805, respectively.
- **Pooled Income** - The Epilepsy Foundation maintains a pooled income fund. Donors can contribute to the fund and receive the income earned until their death, at which time, the assets are available to the Epilepsy Foundation. Donations to the pooled income fund are recorded at their fair value when received, discounted for the estimated time period until the donor's death. The difference between the fair value of the assets when received and the revenue recognized is recorded as deferred revenue, which is then amortized over the life expectancy of the donors. At June 30, 2015 and 2014, the market value of the pooled income fund investments was \$351,702 and \$348,855, respectively. Furthermore, the related deferred revenue was \$16,864 and \$18,436 as of June 30, 2015 and 2014, respectively.
- **Charitable Gift Annuities** - Donors contribute assets to the Epilepsy Foundation in exchange for distributions of a fixed amount annually for life. A liability is recorded at the present value of future cash flows expected to be paid to the donor. The difference between the fair value of the assets when received and the related liability is recognized as contribution revenue. At June 30, 2015 and 2014, the market value of the charitable gift annuity investments was \$124,424 and \$127,824, respectively. Furthermore, the related liability was \$99,547 and \$98,351 as of June 30, 2015 and 2014, respectively, which is recorded under accounts payable and accrued liabilities on the Combined Statements of Financial Position.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Research	\$ 613,495	\$ 1,966,440
Public Health Education	458,886	187,468
Community Services	43,213	65,948
Patient Services	160,365	222,496
Pooled Income Fund	330,918	325,680
Other	-	28,766
Athletes vs. Epilepsy	100,000	100,000
Pep Talks	<u>-</u>	<u>200,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,706,877</u>	<u>\$ 3,096,798</u>

7. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses or by the passage of time which satisfied the restricted purposes specified by the donors:

	<u>2015</u>	<u>2014</u>
Research	\$ 2,066,767	\$ 3,245,193
Public Health Education	342,617	736,567
Community Services	22,735	9,922
Patient Services	418,480	395,861
Other	28,766	110,331
Athletes vs. Epilepsy	100,000	-
Pep Talks	<u>200,000</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 3,179,365</u>	<u>\$ 4,497,874</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Perpetual Trusts:		
Unrestricted Activities	\$ 1,803,308	\$ 1,877,105
Individuals or Organizations in Louisville, Kentucky	537,411	552,511
Research	1,046,770	1,069,189
Unrestricted Activities	99,569	99,569
Research	965,782	965,782
National Epilepsy Library	20,000	20,000
Other	<u>250</u>	<u>250</u>
TOTAL PERMANENTLY RESTRICTED NET ASSETS	<u>\$ 4,473,090</u>	<u>\$ 4,584,406</u>

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

9. LEASE COMMITMENT

The Foundation leases office space under an operating lease, with a remaining noncancellable term in excess of one year. During the 2014 fiscal year, the Foundation re-negotiated the lease on their current office space, reducing the amount of space leased and the rent. A gain was recorded for forgiven rental payments. The revised lease expires in September 2021. 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 Combined Statements of Financial Position.

As of June 30, 2015 and 2014, there was \$219,757 and \$91,792, respectively, in deferred rent asset. Rent expense for the years ended June 30, 2015 and 2014 was \$378,282 and \$487,870, respectively.

Year Ending June 30,

2016	\$ 500,904
2017	328,742
2018	276,794
2019	285,108
2020	293,636
Thereafter	<u>378,587</u>
	<u>\$ 2,063,771</u>

10. CONTINGENCY

The Foundation receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. 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 provisions of OMB Circular A-133 have been completed for all required fiscal years through 2015. 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.

11. PENSION PLAN

The Foundation has a 401(k) Thrift Plan under which the Foundation contributes six percent of each qualified employee's salary, plus up to a two percent matching contribution. 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, 2015 and 2014 were \$129,922 and \$214,159, respectively.

12. ALLOCATION OF JOINT COSTS

For the years ended June 30, 2015 and 2014, the Foundation incurred joint costs of \$1,049,818 and \$540,245, respectively, related to educational information included in its fundraising appeals. Of those costs, \$593,162 and \$216,745, respectively, were allocated to fundraising expenses and \$456,656 and \$323,500, respectively, were allocated to Public Health Education for the years then ended.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

13. 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 \$1,142,497 and \$1,442,552 at June 30, 2015 and 2014, respectively. All grants were considered payable within the next fiscal year as of June 30, 2015 and 2014.

14. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized their 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 Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investment where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

- *Mutual funds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Shares of NeuroGenomeX, Inc., Adamas Pharmaceuticals, and Poliwogg* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the company performance.
- *Beneficial Interest in Perpetual Trust* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by estimates that require varying degrees of judgment. Inputs used in determining fair value may include the value per statements of the trust.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

14. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2015</u>
Asset Class:				
Equity mutual funds	\$ 3,585,185	\$ -	\$ -	\$ 3,585,185
Fixed income mutual funds	2,980,556	-	-	2,980,556
Money market funds	39,399	-	-	39,399
Shares of NeuroGenomeX, Inc.	-	-	137,124	137,124
Shares of Adamas Pharmaceuticals	466,165	-	-	466,165
Shares of Poliwogg	-	-	100,000	100,000
Beneficial Interest in Perpetual Trusts	-	-	<u>3,387,489</u>	<u>3,387,489</u>
TOTAL	<u>\$ 7,071,305</u>	<u>\$ -</u>	<u>\$ 3,624,613</u>	<u>\$ 10,695,918</u>

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2014</u>
Asset Class:				
Equity mutual funds	\$ 3,817,263	\$ -	\$ -	\$ 3,817,263
Fixed income mutual funds	3,177,605	-	-	3,177,605
Money market funds	26,448	-	-	26,448
Shares of NeuroGenomeX, Inc.	-	-	137,124	137,124
Shares of Adamas Pharmaceuticals	-	-	97,912	97,912
Shares of Poliwogg	-	-	100,000	100,000
Beneficial Interest in Perpetual Trusts	-	-	<u>3,498,805</u>	<u>3,498,805</u>
TOTAL	<u>\$ 7,021,316</u>	<u>\$ -</u>	<u>\$ 3,833,841</u>	<u>\$ 10,855,157</u>

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Foundation's financial assets for the years ended June 30, 2015 and 2014:

	<u>Investments</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Beginning balance as of June 30, 2013	\$ 137,124	\$ 3,265,535
Unrealized and realized gains	-	233,270
Earned income	<u>197,912</u>	<u>-</u>
Balance as of June 30, 2014	335,036	3,498,805
Assets that have become level one	(97,912)	-
Unrealized and realized gains (losses)	<u>-</u>	<u>(111,316)</u>
BALANCE AS OF JUNE 30, 2015	<u>\$ 237,124</u>	<u>\$ 3,387,489</u>

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

15. 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. 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.

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,085,601	\$ 1,085,601
Beneficial interest in perpetual trusts	-	-	3,387,489	3,387,489
TOTAL FUNDS	\$ -	\$ -	\$ 4,473,090	\$ 4,473,090

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 4,584,406	\$ 4,584,406
Investment return:				
Investment income	-	22,059	-	22,059
Net appreciation (realized and unrealized)	-	127,316	(111,316)	16,000
Total investment return	-	149,375	(111,316)	38,059
Appropriation of endowment assets for expenditure	-	(149,375)	-	(149,375)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ -	\$ 4,473,090	\$ 4,473,090

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

15. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,085,601	\$ 1,085,601
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>3,498,805</u>	<u>3,498,805</u>
TOTAL FUNDS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,584,406</u>	<u>\$ 4,584,406</u>

Changes in endowment net assets for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 4,301,136	\$ 4,301,136
Investment return:				
Investment income	-	22,590	-	22,590
Net appreciation (realized and unrealized)	<u>-</u>	<u>123,941</u>	<u>233,270</u>	<u>357,211</u>
Total investment return	<u>-</u>	<u>146,531</u>	<u>233,270</u>	<u>379,801</u>
Contributions	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(146,531)</u>	<u>-</u>	<u>(146,531)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,584,406</u>	<u>\$ 4,584,406</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 unrestricted net assets. As of June 30, 2015 and 2014, there were no deficiencies. Deficiencies of this type can be the result of unfavorable market fluctuations occurring after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

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.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

15. 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, and fixed income funds, with a target of 70% equity and 30% fixed income funds, a minimum of 40% and 25%, respectively, and no more than 10% cash, 75% equity and 60% fixed income.

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.

16. CONTRIBUTED SERVICES

During the years ended June 30, 2015 and 2014, the Foundation received \$83,594 and \$133,515 in donated legal services. The Foundation also benefited from other donated services which allowed the Foundation to provide greater resources toward various programs. The Foundation has determined that the difficulties encountered establishing an objective basis to measure the value of such services makes the practice of disclosing these hours at an approximate value too cumbersome, and as a result the value of these additional contributed services has not been recorded for the years ended June 30, 2015 and 2014.

17. PRIOR PERIOD RESTATEMENTS

In preparing these combined financial statements, the Foundation became aware of pro-bono legal services that were provided during 2014 but not recorded. The Foundation has retroactively restated 2014 revenue and expenses to include the pro-bono legal provided.

Following is a summary of the effects of the restatement:

	<u>2014</u>	
	<u>As Previously Reported</u>	<u>As Restated</u>
Contributed services	\$ -	\$ 133,515
Total revenue	\$ 1,634,177	\$ 1,767,692
Management and general	\$ 1,410,041	\$ 188,877
Total expenses	\$ 14,934,012	\$ 15,067,527

18. MERGER

During February 2015, the Epilepsy Foundation merged with the Epilepsy Foundation of Indiana, a 501(c)(3) corporation. The merger was approved by the Board of Directors of each organization. The Epilepsy Foundation was the surviving organization. The merger was recorded as a contribution of \$56,517 on the Combined Statements of Activities and Changes in Net Assets during the year ended June 30, 2015.

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

19. DONATED CLOTHING PURCHASE AGREEMENT

During April 2013, the Foundation signed a two-year agreement with TVI, Inc. for the by-pound purchase of donated clothing and household items by TVI, Inc. The Foundation also signed an agreement with Apogee Retail, LLC, with the duration May 1, 2013 to April 30, 2014, for the by-pound purchase of donated clothing and household items. The Foundation has continued the agreements on a month-to-month basis. As part of these agreements, the Foundation paid any related shipping and postage costs. At the beginning of the fiscal year, the mail portion of the program was discontinued, and therefore there were no further related shipping and postage costs.

20. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 25, 2016, the date the combined financial statements were issued.