

**The Epilepsy Foundation of Kentuckiana, Inc.**

**Financial Statements**

**Years Ended June 30, 2018 and 2017**

Draft

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Draft

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**Smith Financial Services, PLLC**

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**Independent Auditor's Report**

To the Board of Directors  
The Epilepsy Foundation of Kentuckiana, Inc.  
Louisville, Kentucky

We have audited the accompanying financial statements of The Epilepsy Foundation of Kentuckiana, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, statements of functional expenses, and statements of cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

(continued)

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Epilepsy Foundation of Kentuckiana, Inc. as of June 30, 2018 and 2017 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.

*Smith Financial Services, PLLC*

Louisville, Kentucky  
October 23, 2018

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

**Assets**

	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash	\$ 221,227	\$ 155,672
Unconditional promises to give:		
Pledges receivable	12,605	24,902
Contributions receivable	34,500	21,000
Grants receivable	-	25,000
Accounts receivable	-	1,939
Prepaid expenses	3,100	4,237
Total current assets	271,432	232,750
<b>Property and Equipment</b>		
Office equipment	29,247	29,247
Furniture and fixtures	4,050	4,050
Leasehold improvements	10,590	10,590
	43,887	43,887
Less accumulated depreciation	29,185	25,079
	14,702	18,808
Total assets	\$ 286,134	\$ 251,558

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 15,235	\$ 11,252
Accrued and withheld payroll taxes	5,005	5,044
Accrued vacation	8,820	10,568
Total current liabilities	29,060	26,864
<b>Net Assets</b>		
Unrestricted	209,756	142,776
Temporarily restricted	47,318	81,918
Total net assets	257,074	224,694
Total liabilities and net assets	\$ 286,134	\$ 251,558

**See Notes to Financial Statements**

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>			<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and Support:</b>						
Contributions and grants	\$ 110,428	\$ 238,997	\$ 349,425	\$ 79,119	\$ 248,631	\$ 327,750
Fund-raising events	244,132	-	244,132	279,185	-	279,185
Interest income	270	-	270	160	-	160
	<u>354,830</u>	<u>238,997</u>	<u>593,827</u>	<u>358,464</u>	<u>248,631</u>	<u>607,095</u>
Net assets released from restrictions	<u>273,597</u>	<u>(273,597)</u>		<u>264,113</u>	<u>(264,113)</u>	<u>-</u>
Total revenues and support	<u>628,427</u>	<u>(34,600)</u>	<u>593,827</u>	<u>622,577</u>	<u>(15,482)</u>	<u>607,095</u>
<b>Expenses:</b>						
Program services	419,704	-	419,704	424,435	-	424,435
Management and general	30,908	-	30,908	28,876	-	28,876
Fund raising	110,835	-	110,835	137,958	-	137,958
	<u>561,447</u>	<u>-</u>	<u>561,447</u>	<u>591,269</u>	<u>-</u>	<u>591,269</u>
Total expenses	<u>561,447</u>	<u>-</u>	<u>561,447</u>	<u>591,269</u>	<u>-</u>	<u>591,269</u>
Increase (decrease) in net assets	66,980	(34,600)	32,380	31,308	(15,482)	15,826
<b>Net assets at beginning of year</b>	142,776	81,918	224,694	111,468	97,400	208,868
	<u>142,776</u>	<u>81,918</u>	<u>224,694</u>	<u>111,468</u>	<u>97,400</u>	<u>208,868</u>
<b>Net assets at end of year</b>	<u>\$ 209,756</u>	<u>\$ 47,318</u>	<u>\$ 257,074</u>	<u>\$ 142,776</u>	<u>\$ 81,918</u>	<u>\$ 224,694</u>

See Notes to Financial Statements

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**

	Program				Total	Management and general		Fund-raising	Total
	Public education	Professional education	Community Services	Client assistance					
Wages and salaries	\$ 73,072	\$ 70,545	\$ 33,749	\$ 49,502	\$ 226,868	\$ 22,851	\$ 11,580	\$ 261,299	
Direct program expenses	31,962	30,865	14,769	21,651	99,247	-	-	99,247	
Payroll taxes	6,102	5,892	2,820	4,133	18,947	1,910	967	21,824	
Rent	4,187	4,044	1,935	2,837	13,003	1,310	663	14,976	
Lobbying	4,026	3,887	1,860	2,727	12,500	-	-	12,500	
Office expense	2,790	2,695	1,289	1,891	8,665	873	442	9,980	
Printing	2,619	2,529	1,210	1,773	8,131	820	415	9,366	
Telephone	2,456	2,372	1,135	1,664	7,627	769	389	8,785	
Employee health insurance premiums	1,670	1,613	772	1,130	5,185	523	265	5,973	
Depreciation	1,148	1,109	530	778	3,565	359	182	4,106	
Professional fees	1,118	1,080	517	758	3,473	350	177	4,000	
Travel and auto	870	840	402	590	2,702	272	138	3,112	
Insurance	759	733	351	514	2,357	237	120	2,714	
Dues, subscriptions & education	837	809	387	567	2,600	262	133	2,995	
Retirement plan contributions	576	556	266	391	1,789	180	91	2,060	
Repairs and maintenance	336	324	155	227	1,042	105	53	1,200	
Client expenses	365	352	168	247	1,132	-	-	1,132	
Postage and shipping	266	257	123	181	827	83	42	952	
Miscellaneous	14	14	6	10	44	4	2	50	
	<u>135,173</u>	<u>130,516</u>	<u>62,444</u>	<u>91,571</u>	<u>419,704</u>	<u>30,908</u>	<u>15,659</u>	<u>466,271</u>	
Fund-raising events direct expenses							<u>95,176</u>	<u>95,176</u>	
	<u>\$ 135,173</u>	<u>\$ 130,516</u>	<u>\$ 62,444</u>	<u>\$ 91,571</u>	<u>\$ 419,704</u>	<u>\$ 30,908</u>	<u>\$ 110,835</u>	<u>\$ 561,447</u>	
Percentage of total expenses					<u>74.75%</u>	<u>5.51%</u>	<u>19.74%</u>	<u>100.00%</u>	

**See Notes to Financial Statements**

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	<b>Program</b>				<b>Total</b>	<b>Management and general</b>		<b>Fund-raising</b>	<b>Total</b>
	<b>Public education</b>	<b>Professional education</b>	<b>Community Services</b>	<b>Client assistance</b>		<b>general</b>	<b>Fund-raising</b>		
Wages and salaries	\$ 79,205	\$ 83,141	\$ 33,507	\$ 39,491	\$ 235,344	\$ 21,826	\$ 39,396	\$ 296,566	
Direct program expenses	33,439	35,092	14,147	16,675	99,353	-	-	99,353	
Payroll taxes	6,605	6,932	2,794	3,295	19,626	1,820	3,284	24,730	
Rent	4,000	4,198	1,692	1,995	11,885	1,102	1,989	14,976	
Lobbying	4,207	4,415	1,780	2,098	12,500	-	-	12,500	
Office expense	3,261	3,422	1,380	1,625	9,688	899	1,621	12,208	
Printing	2,716	2,850	1,149	1,355	8,070	748	1,350	10,168	
Telephone	2,250	2,361	952	1,121	6,684	620	1,119	8,423	
Insurance	1,375	1,443	582	685	4,085	379	684	5,148	
Travel and auto	1,152	1,209	487	575	3,423	318	573	4,314	
Professional fees	1,068	1,121	452	534	3,175	294	531	4,000	
Depreciation	897	941	379	448	2,665	247	446	3,358	
Retirement plan contributions	709	744	300	355	2,108	195	353	2,656	
Dues, subscriptions & education	448	470	189	223	1,330	123	223	1,676	
Client expenses	404	424	171	202	1,201	-	-	1,201	
Repairs and maintenance	321	336	136	160	953	88	159	1,200	
Postage and shipping	315	331	133	157	936	87	157	1,180	
Miscellaneous	288	302	122	143	855	79	143	1,077	
Advertising and promotion	186	196	79	93	554	51	93	698	
	<u>142,846</u>	<u>149,928</u>	<u>60,431</u>	<u>71,230</u>	<u>424,435</u>	<u>28,876</u>	<u>52,121</u>	<u>505,432</u>	
Fund-raising events direct expenses							<u>85,837</u>	<u>85,837</u>	
	<u>\$ 142,846</u>	<u>\$ 149,928</u>	<u>\$ 60,431</u>	<u>\$ 71,230</u>	<u>\$ 424,435</u>	<u>\$ 28,876</u>	<u>\$ 137,958</u>	<u>\$ 591,269</u>	
Percentage of total expenses					<u>71.78%</u>	<u>4.88%</u>	<u>23.34%</u>	<u>100.00%</u>	

**See Notes to Financial Statements**



**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Cash received from contributions and grants	\$ 360,185	\$ 338,092
Cash received from special events and fundraising activities	244,132	279,185
Interest received	270	160
Cash paid for payroll, employee benefits, and payroll taxes	(284,910)	(324,665)
Cash paid to suppliers	(254,122)	(261,079)
	<u>65,555</u>	<u>31,693</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Purchase of equipment and furniture	-	(16,595)
	<u>-</u>	<u>(16,595)</u>
<b>Net cash used in investing activities</b>		
<b>Net increase in cash</b>	65,555	15,098
Cash at beginning of year	<u>155,672</u>	<u>140,574</u>
<b>Cash at end of year</b>	<u>\$ 221,227</u>	<u>\$ 155,672</u>
<b>Reconciliation of increase in net assets to net cash provided by operating activities:</b>		
Increase in net assets	\$ 32,380	\$ 15,826
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,106	3,358
Changes in assets and liabilities: (Increase) decrease in:		
Pledges receivable	12,297	11,103
Contributions receivable	(13,500)	33,500
Grants receivable	25,000	-
Accounts receivable	1,939	(1,939)
Prepaid expenses	1,137	(3,010)
Increase (decrease) in:		
Accounts payable	3,983	(7,526)
Accrued and withheld payroll taxes	(39)	(695)
Accrued vacation	(1,748)	(2,674)
Deferred revenue	-	(16,250)
	<u>33,175</u>	<u>15,867</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 65,555</u>	<u>\$ 31,693</u>

**See Notes to Financial Statements**

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note A Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations:**

The Epilepsy Foundation of Kentuckiana, Inc., (EFKY) is located in Louisville, Kentucky and was founded in 1996 as an independent affiliate of The Epilepsy Foundation of America, Inc. EFKY leads the fight to stop seizures, find a cure, and overcome challenges created by epilepsy. This is done by offering an array of comprehensive and diverse programs and services designed to educate, advocate and support children, adults, and veterans affected by epilepsy and seizure disorders throughout Kentucky and Southern Indiana. EFKY receives funds from special events, grants, and contributions from individual and corporate donors.

**Summary of Significant Accounting Policies:**

**Basis of Accounting:**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation:**

Information regarding financial position and activities is reported according to classes of net assets that are based upon the existence or absence of donor restrictions on use:

<u>Unrestricted:</u>	Net assets that are not subject to donor-imposed restrictions; available for purposes deemed necessary by management.
<u>Temporarily restricted:</u>	Net assets restricted by donors or grantors to a specific time period or purpose. When the restriction expires, that is, when a stipulated restriction ends or a purpose restriction is accomplished, these net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Property and Equipment:**

Property and equipment is stated at cost if purchased.

Donations of property and equipment are recorded as contributions at fair value on the date of the donation. Such donations are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, expirations of donor restrictions are reported as reclassifications from temporarily restricted net assets to unrestricted net assets when the donated or acquired assets are placed in service as instructed by the donor.

Items in excess of \$1,000 are capitalized and depreciated using the straight-line method over their estimated useful lives, which range from 5-10 years. Items not meeting this threshold are charged to expense as incurred.

**Promises to Give:**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Unconditional promises to give that are receivable within one year are reported at net realizable value (gross amount less an allowance, if applicable), which approximates fair value. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods using an appropriate discount rate.

Conditional promises to give are recognized as revenues or gains only when the conditions on which they depend are substantially met and the promises become unconditional.

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Deferred Revenue:**

EFKY conducts various fund-raising special events. Cash is sometimes received from sponsors and other participants prior to the fiscal year in which the event is held. These receipts are not recorded as revenue when received since the sponsors and other participants receive advertising space and other ancillary benefits in return for their payment and payments received by EFKY would be refunded should the event be cancelled. These amounts received are recorded as deferred revenue and will be recognized as revenue in the fiscal year in which the event is held.

**Contributions and donated services:**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions. Contributions other than cash are recorded at fair market value on the date of the donation.

Many individuals volunteer their time and perform a variety of tasks that assist EFKY. Donated services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased if not provided by donation. Donated services that do not meet the above criteria are not recognized as revenues and are not reported in the financial statements.

**Advertising Costs:**

Advertising costs are expensed as incurred.

**Functional Expense Allocation:**

Expenses are allocated based on the percentage of direct salaries associated with programs, management and general, and fundraising. Program expenses are allocated to the general program categories of public education, professional education, community service, and client assistance.

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Exemption from Income Taxes:**

EFKY is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, net income from certain activities not directly related to the tax-exempt purpose is subject to taxation as unrelated business income. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements, including any net income from activities that could be subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the financial statements.

EFKY has been classified as a public charity under the applicable provisions of the Internal Revenue Code. Charitable contributions made to EFKY qualify for the charitable contribution deduction.

**Estimates:**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. However, actual results could differ from those estimates and assumptions.

**Charitable Perpetual Trust Fund:**

EFKY is an income beneficiary of a charitable perpetual trust fund held by The Epilepsy Foundation of America, Inc. The assets of the trust are not included in the financial statements since they are not under the control of EFKY.

**Reclassifications:**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note B      Concentrations**

EFKY maintains checking accounts at two banks located in Louisville, Kentucky. Checking accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. In the normal course of business, there may be deposits in excess of the insured balance. There were no deposits in excess of the insured balance at June 30, 2018. (See also Notes C and D.)

**Note C      Unconditional Promises to Give**

**Pledges receivable:**

Pledges receivable are recorded at net realizable value, which approximates fair value, and are receivable within one year:

	June 30	
	2018	2017
Fund-raising walks-participants	\$ 2,950	\$11,902
Fund-raising walks-sponsors	8,805	12,700
Board members	850	300
	\$ 12,605	\$24,902

**Contributions receivable:**

Contributions receivable comprises amounts receivable from one funding source.

**Note D      Grants Receivable**

Grants receivable comprise amounts receivable from a Commonwealth of Kentucky governmental agency. This agency accounted for approximately 18% and 17% of the total support and revenue amount reported on the statement of activities for the years ended June 30, 2018 and 2017, respectively.



**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note I      Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the funding of various programs in the subsequent year:

	Balance 6-30-17	Received	Released	Balance 6-30-18
Kosair Charities	\$ 38,000	\$ 69,000	\$ (72,500)	\$ 34,500
Veterans Outreach	25,000	105,526	(130,526)	-
Art Therapy	7,500	2,900	(7,500)	2,900
School nurse/training	-	5,000	(5,000)	-
Statewide conference	8,275	14,500	(16,000)	6,775
Skill Building	-	1,400	(1,400)	-
Hope for Hadley Jo Project	3,143	-	-	3,143
Research	-	1,458	(1,458)	-
Educational/Outreach Programs	-	39,213	(39,213)	-
	<u>\$ 81,918</u>	<u>\$ 238,997</u>	<u>\$ (273,597)</u>	<u>\$ 47,318</u>

	Balance 6-30-16	Received	Released	Balance 6-30-17
Kosair Charities	\$ 54,500	\$ 52,000	\$ (68,500)	\$ 38,000
Veterans Outreach	25,000	125,455	(125,455)	25,000
Art Therapy	7,900	7,500	(7,900)	7,500
African American	-	2,500	(2,500)	-
School nurse/training	-	1,600	(1,600)	-
Statewide conference	10,000	8,275	(10,000)	8,275
Bounce out the Stigma	-	2,000	(2,000)	-
Take Charge programs	-	4,000	(4,000)	-
Skill Building	-	1,600	(1,600)	-
Advocacy programs	-	7,714	(7,714)	-
Hope for Hadley Jo Project	-	3,143	-	3,143
Research	-	8,649	(8,649)	-
Educational/Outreach programs	-	24,195	(24,195)	-
	<u>\$ 97,400</u>	<u>\$ 248,631</u>	<u>\$ (264,113)</u>	<u>\$ 81,918</u>



**The Epilepsy Foundation of Kentuckiana, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**Note J Fund-Raising Events Direct Expenses**

Expenses directly associated with fund-raising events are as follows:

	June 30	
	2018	2017
Food and beverages	\$ 35,283	\$ 31,104
Facility costs	12,824	8,015
Participant incentives	15,995	20,909
Credit card processing fees	7,560	8,884
Auction services	6,646	2,500
Entertainment	5,989	6,316
Advertising	3,150	846
Travel	2,970	3,274
Postage and delivery	1,975	110
Office expenses	1,477	993
Printing	1,307	2,886
	\$ 95,176	\$ 85,837

**Note K Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 23, 2018, which is the date the financial statements were available to be issued.