

The Epilepsy Foundation of Kentuckiana, Inc.
Financial Statements
Years Ended June 30, 2019 and 2018

Draft

Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-17

Draft

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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, 2019 and 2018, 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, 2019 and 2018 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
December 3, 2019

The Epilepsy Foundation of Kentuckiana, Inc.
Statements of Financial Position
June 30, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 194,169	\$ 221,227
Unconditional promises to give:		
Pledges receivable	12,507	12,605
Bequest receivable	10,000	-
Grants receivable	40,675	34,500
Prepaid expenses	4,300	3,100
	<u>261,651</u>	<u>271,432</u>
Property and Equipment		
Office equipment	29,247	29,247
Furniture and fixtures	4,050	4,050
Leasehold improvements	10,590	10,590
	<u>43,887</u>	<u>43,887</u>
Less accumulated depreciation	<u>32,955</u>	<u>29,185</u>
	<u>10,932</u>	<u>14,702</u>
	<u>272,583</u>	<u>286,134</u>
Total assets	<u>\$ 272,583</u>	<u>\$ 286,134</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 21,490	\$ 15,235
Accrued and withheld payroll taxes	5,827	5,005
Accrued vacation	9,143	8,820
	<u>36,460</u>	<u>29,060</u>
Net Assets		
Without donor restrictions	191,560	209,756
With donor restrictions	44,563	47,318
	<u>236,123</u>	<u>257,074</u>
Total net assets	<u>236,123</u>	<u>257,074</u>
Total liabilities and net assets	<u>\$ 272,583</u>	<u>\$ 286,134</u>

See Notes to Financial Statements

The Epilepsy Foundation of Kentuckiana, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and Support:						
Contributions and grants	\$ 119,425	\$ 249,429	\$ 368,854	\$ 110,428	\$ 238,997	\$ 349,425
Fund-raising events	248,255	-	248,255	244,132	-	244,132
Interest income	1,780	-	1,780	270	-	270
	<u>369,460</u>	<u>249,429</u>	<u>618,889</u>	<u>354,830</u>	<u>238,997</u>	<u>593,827</u>
Net assets released from restrictions	<u>252,184</u>	<u>(252,184)</u>		<u>273,597</u>	<u>(273,597)</u>	<u>-</u>
Total revenues and support	<u>621,644</u>	<u>(2,755)</u>	<u>618,889</u>	<u>628,427</u>	<u>(34,600)</u>	<u>593,827</u>
Expenses:						
Program services	482,395	-	482,395	419,704	-	419,704
Management and general	29,178	-	29,178	30,908	-	30,908
Fund raising	128,267	-	128,267	110,835	-	110,835
	<u>639,840</u>	<u>-</u>	<u>639,840</u>	<u>561,447</u>	<u>-</u>	<u>561,447</u>
Total expenses	<u>639,840</u>	<u>-</u>	<u>639,840</u>	<u>561,447</u>	<u>-</u>	<u>561,447</u>
Increase (decrease) in net assets	(18,196)	(2,755)	(20,951)	66,980	(34,600)	32,380
Net assets at beginning of year	209,756	47,318	257,074	142,776	81,918	224,694
	<u>209,756</u>	<u>47,318</u>	<u>257,074</u>	<u>142,776</u>	<u>81,918</u>	<u>224,694</u>
Net assets at end of year	<u>\$ 191,560</u>	<u>\$ 44,563</u>	<u>\$ 236,123</u>	<u>\$ 209,756</u>	<u>\$ 47,318</u>	<u>\$ 257,074</u>

See Notes to Financial Statements

The Epilepsy Foundation of Kentuckiana, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program				Total	Management and general		Fund-raising	Total
	Public education	Professional education	Community Services	Client assistance					
Wages and salaries	\$ 71,662	\$ 83,333	\$ 51,228	\$ 48,636	\$ 254,859	\$ 21,955	\$ 27,502	\$ 304,316	
Direct program expenses	36,920	42,924	26,385	25,052	131,281	-	-	131,281	
Payroll taxes	5,557	6,461	3,971	3,771	19,760	1,703	2,133	23,596	
Rent	3,527	4,100	2,520	2,393	12,540	1,082	1,354	14,976	
Lobbying	3,515	4,087	2,512	2,385	12,499	1	-	12,500	
Employee health insurance premiums	2,656	3,088	1,898	1,801	9,443	815	1,019	11,277	
Printing	2,201	2,559	1,573	1,493	7,826	675	845	9,346	
Telephone	2,182	2,537	1,560	1,481	7,760	669	838	9,267	
Office expense	1,901	2,210	1,359	1,290	6,760	583	730	8,073	
Insurance	1,185	1,378	847	804	4,214	364	455	5,033	
Professional fees	989	1,150	707	671	3,517	303	380	4,200	
Depreciation	888	1,032	634	602	3,156	273	341	3,770	
Retirement plan contributions	881	1,024	630	598	3,133	270	338	3,741	
Dues, subscriptions & education	642	746	458	435	2,281	197	246	2,724	
Postage and shipping	372	433	266	252	1,323	114	143	1,580	
Repairs and maintenance	283	329	202	192	1,006	86	108	1,200	
Travel and auto	280	325	200	190	995	85	107	1,187	
Miscellaneous	12	14	8	8	42	3	5	50	
	<u>135,653</u>	<u>157,730</u>	<u>96,958</u>	<u>92,054</u>	<u>482,395</u>	<u>29,178</u>	<u>36,544</u>	<u>548,117</u>	
Fund-raising events direct expenses	-	-	-	-	-	-	91,723	91,723	
	<u>\$ 135,653</u>	<u>\$ 157,730</u>	<u>\$ 96,958</u>	<u>\$ 92,054</u>	<u>\$ 482,395</u>	<u>\$ 29,178</u>	<u>\$ 128,267</u>	<u>\$ 639,840</u>	
Percentage of total expenses					<u>75.39%</u>	<u>4.56%</u>	<u>20.05%</u>	<u>100.00%</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		Total
	Public education	Professional education	Community Services	Client assistance		Fund-raising		
Wages and salaries	\$ 73,072	\$ 70,545	\$ 33,749	\$ 49,502	\$ 226,868	\$ 22,851	\$ 11,580	\$ 261,299
Direct program expenses	32,327	31,217	14,937	21,898	100,379	-	-	100,379
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
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	-	-	-	-	-	-	95,176	95,176
	<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.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from contributions and grants	\$ 337,801	\$ 360,185
Cash received from special events and fundraising activities	248,255	244,132
Interest received	1,780	270
Cash paid for payroll, employee benefits, and payroll taxes	(326,767)	(284,910)
Cash paid to suppliers	(288,127)	(254,122)
	(27,058)	65,555
Net increase (decrease) in cash	(27,058)	65,555
Cash at beginning of year	221,227	155,672
Cash at end of year	\$ 194,169	\$ 221,227

See Notes to Financial Statements

Draft

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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.

Substantially all of the support and revenue EFKY receives is from grants; contributions from individual and corporate donors; and fund-raising events.

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:

Adoption of new accounting pronouncement:

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958)--Presentation of Financial Statements of Not-for-Profit Entities*. The new standard is effective for EFKY's year ending June 30, 2019. EFKY has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the financial statements:

The unrestricted net asset class has been renamed net assets without donor restrictions and the temporarily restricted net asset class has been renamed net assets with donor restrictions. Also, a new disclosure about liquidity and availability of resources is now required (Note B).

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Accordingly, EFKY reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors:

Without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets without donor restrictions are the broad limits resulting from the nature of EFKY, the environment in which it operates, the purposes specified in its organizational documents and its application for tax exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

With donor restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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, 2019 and 2018

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. Property and equipment 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.

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.

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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.

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.

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

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.

Compensated Absences

EFKY employees are entitled to compensated absences depending on length of service and other factors. Vacation days earned carryover to future years and a liability is recorded for any unused days at the end of the year. Other compensated absences do not carryover to future years. These costs are recognized when paid.

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, 2019 and 2018

Note B Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the June 30, 2019 balance sheet date are as follows:

Cash	\$ 194,169
Pledges receivable	12,507
Bequest receivable	10,000
Grants receivable	40,675
	<u>257,351</u>
Less: Net assets with donor restrictions	<u>(44,563)</u>
Available for general expenditures	<u><u>\$ 212,788</u></u>

EFKY manages liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures and in meeting its liabilities and other obligations as they become due.

Note C 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, 2019. (See also Notes D and E.)

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note D 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	
	2019	2018
Fund-raising walks-participants	\$ 1,997	\$ 2,950
Fund-raising walks-sponsors	9,700	8,805
Board members	810	850
	\$ 12,507	\$ 12,605

Note E Grants Receivable

Grants receivable comprise amounts receivable from a Commonwealth of Kentucky governmental agency and from a not-for-profit funding source.

The governmental agency accounted for approximately 25% and 30% of the total contributions and grants amount reported on the statement of activities for the years ended June 30, 2019 and 2018, respectively.

The not-for-profit funding source accounted for approximately 19% and 20% of the total contributions and grants amount reported on the statement of activities for the years ended June 30, 2019 and 2018, respectively.

Note F In-Kind Contributions

Included in the contributions caption on the statement of activities are in-kind contributions of approximately \$15,000 in each of the years ended June 30, 2019 and 2018, respectively. (See also Note G.)

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note G Retirement Plan

Eligible employees participate in a 403(b) retirement plan. EFKY provides a matching contribution up to 3% of gross pay on behalf of the employee.

Note H Commitments

EFKY occupies premises that are an in-kind donation from another not-for profit entity. The lease term ends on September 30, 2023. The estimated fair rental value is \$1,248 per month, or \$14,976 annually, and is included in the in-kind contributions caption on the statement of activities for each of the years ended June 30, 2019 and 2018.

Note I Related Party Transactions

As described in Note A, EFKY is an independent affiliate of The Epilepsy Foundation of America, Inc. ("National Foundation"). During the years ended June 30, 2019 and 2018, EFKY received approximately \$20,100 and \$8,600, respectively, from the National Foundation for use in specific programs and approximately \$27,700 and \$25,400, respectively, as an income beneficiary of the Charitable Perpetual Trust Fund administered by the National Foundation.

Included in the program expenses caption on the statement of activities are affiliation fees of approximately \$13,500 and \$15,600 paid to the National Foundation for the years ended June 30, 2019 and 2018, respectively.

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note J Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the funding of various programs in the subsequent year:

	Balance 6-30-18	Received	Released	Balance 6-30-19
Kosair Charities	\$ 34,500	\$ 69,000	\$ (86,250)	\$ 17,250
Veterans Outreach	-	102,499	(79,074)	23,425
Art Therapy	2,900	2,900	(5,800)	-
Client support	-	15,727	(15,727)	-
Statewide conference	6,775	11,000	(17,775)	-
Advocacy	-	2,000	(2,000)	-
Hope for Hadley Jo Project	3,143	745	-	3,888
Research	-	7,668	(7,668)	-
Educational/Outreach Programs	-	37,890	(37,890)	-
	<u>\$ 47,318</u>	<u>\$ 249,429</u>	<u>\$ (252,184)</u>	<u>\$ 44,563</u>

	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>

The Epilepsy Foundation of Kentuckiana, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note K Fund-Raising Events Direct Expenses

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

	June 30	
	2019	2018
Food and beverages	\$ 27,097	\$ 35,283
Facility costs	17,004	12,824
Participant incentives	15,608	15,995
Event management platform	9,509	4,590
Entertainment	4,957	5,989
Credit card processing fees	4,188	2,970
Auction services	4,100	6,646
Travel	2,273	2,970
Office expenses	2,266	1,477
Postage and delivery	1,905	1,975
Advertising	1,625	3,150
Printing	1,191	1,307
	\$ 91,723	\$ 95,176

Note L Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 3, 2019, which is the date the financial statements were available to be issued.