

**EPILEPSY FOUNDATION OF TEXAS**  
**(A NONPROFIT ORGANIZATION)**

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FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

GAINER DONNELLY & DESROCHES

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EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Epilepsy Foundation of Texas  
Houston, Texas

We have audited the accompanying statements of financial position of Epilepsy Foundation of Texas (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Epilepsy Foundation of Texas as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gainer Donnelly & Desroches LLP*

September 12, 2008

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

ASSETS

|                                     | <u>2007</u>              | <u>2006</u>              |
|-------------------------------------|--------------------------|--------------------------|
| <b>CURRENT ASSETS:</b>              |                          |                          |
| Cash and Cash Equivalents           | \$ 222,578               | \$ 279,812               |
| Grants and Contributions Receivable | 53,267                   | 53,761                   |
| Unconditional Promises to Give, Net | 49,394                   | 63,766                   |
| Prepaid Expenses                    | <u>15,040</u>            | <u>6,963</u>             |
| Total Current Assets                | 340,279                  | 404,302                  |
| FURNITURE AND EQUIPMENT, NET        | 5,477                    | 6,964                    |
| <b>OTHER ASSETS:</b>                |                          |                          |
| Investments                         | 246,823                  | 217,630                  |
| Unconditional Promises to Give, Net | 38,682                   | 49,715                   |
| Security Deposit                    | <u>3,249</u>             | <u>3,249</u>             |
| Total Other Assets                  | <u>288,754</u>           | <u>270,594</u>           |
| <b>TOTAL ASSETS</b>                 | <b><u>\$ 634,510</u></b> | <b><u>\$ 681,860</u></b> |

LIABILITIES AND NET ASSETS

|   |                          |                          |
|---|--------------------------|--------------------------|
| <b>CURRENT LIABILITIES:</b>             |                          |                          |
| Accounts Payable                        | \$ 20,579                | \$ 29,893                |
| Deferred Revenue                        | <u>42,463</u>            | <u>28,700</u>            |
| Total Current Liabilities               | 63,042                   | 58,593                   |
| <b>NET ASSETS:</b>                      |                          |                          |
| Unrestricted                            | 391,416                  | 369,969                  |
| Temporarily Restricted                  | 96,000                   | 174,450                  |
| Permanently Restricted                  | <u>84,052</u>            | <u>78,848</u>            |
| Total Net Assets                        | <u>571,468</u>           | <u>623,267</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 634,510</u></b> | <b><u>\$ 681,860</u></b> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>     |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| REVENUE:                                 |                     |                                   |                                   |                  |
| Public Support:                          |                     |                                   |                                   |                  |
| Contributions                            | \$ 99,919           | \$ -                              | \$ -                              | \$ 99,919        |
| Fundraising Events                       | 558,485             | -                                 | -                                 | 558,485          |
| Less: Cost of Direct                     |                     |                                   |                                   |                  |
| Benefits to Donors                       | (52,691)            | -                                 | -                                 | (52,691)         |
| Corporate Grants                         | 43,085              | 22,000                            | -                                 | 65,085           |
| Foundation Grants                        | 9,862               | 149,950                           | -                                 | 159,812          |
| Memorial/Trusts                          | 4,460               | -                                 | 5,204                             | 9,664            |
| Combined Federal<br>Campaign             | <u>21,512</u>       | <u>-</u>                          | <u>-</u>                          | <u>21,512</u>    |
| Total Public Support                     | <u>684,632</u>      | <u>171,950</u>                    | <u>5,204</u>                      | <u>861,786</u>   |
| Other Revenue:                           |                     |                                   |                                   |                  |
| Governmental Agencies                    | 262,084             | -                                 | -                                 | 262,084          |
| Program Fees                             | 11,957              | -                                 | -                                 | 11,957           |
| Membership Dues                          | 530                 | -                                 | -                                 | 530              |
| Interest Income                          | <u>14,802</u>       | <u>-</u>                          | <u>-</u>                          | <u>14,802</u>    |
| Total Other Revenue                      | <u>289,373</u>      | <u>-</u>                          | <u>-</u>                          | <u>289,373</u>   |
| TOTAL REVENUE                            | <u>974,005</u>      | <u>171,950</u>                    | <u>5,204</u>                      | <u>1,151,159</u> |
| NET ASSETS RELEASED<br>FROM RESTRICTIONS | <u>250,400</u>      | <u>(250,400)</u>                  | <u>-</u>                          | <u>-</u>         |
| EXPENSES:                                |                     |                                   |                                   |                  |
| Program Services:                        |                     |                                   |                                   |                  |
| Children's Services                      | 180,231             | -                                 | -                                 | 180,231          |
| Education Services                       | 170,749             | -                                 | -                                 | 170,749          |
| Employment Services                      | 113,830             | -                                 | -                                 | 113,830          |
| Patient Services                         | <u>549,437</u>      | <u>-</u>                          | <u>-</u>                          | <u>549,437</u>   |
| Total Program Services                   | <u>1,014,247</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,014,247</u> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2007

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Support Services:                                      |                     |                                   |                                   |                   |
| Management and   |                     |                                   |                                   |                   |
| General  | \$ 66,404           | \$ -                              | \$ -                              | \$ 66,404         |
| Fundraising  | <u>132,800</u>      | <u>-</u>                          | <u>-</u>                          | <u>132,800</u>    |
| Total Support Services                                 | <u>199,204</u>      | <u>-</u>                          | <u>-</u>                          | <u>199,204</u>    |
| TOTAL EXPENSES   | <u>1,213,451</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,213,451</u>  |
| NET REALIZED AND<br>UNREALIZED GAINS<br>ON INVESTMENTS | <u>10,493</u>       | <u>-</u>                          | <u>-</u>                          | <u>10,493</u>     |
| CHANGES IN NET ASSETS                                  | 21,447              | (78,450)                          | 5,204                             | (51,799)          |
| NET ASSETS AT BEGINNING<br>OF YEAR                     | <u>369,969</u>      | <u>174,450</u>                    | <u>78,848</u>                     | <u>623,267</u>    |
| NET ASSETS AT END<br>END OF YEAR                       | <u>\$ 391,416</u>   | <u>\$ 96,000</u>                  | <u>\$ 84,052</u>                  | <u>\$ 571,468</u> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2006

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>REVENUE:</b>                                  |                     |                                   |                                   |                     |
| Public Support:                                  |                     |                                   |                                   |                     |
| Contributions                                    | \$ 64,297           | \$ -                              | \$ -                              | \$ 64,297           |
| Fundraising Events                               | 301,246             | -                                 | -                                 | 301,246             |
| Less: Cost of Direct                             |                     |                                   |                                   |                     |
| Benefits to Donors                               | (30,989)            | -                                 | -                                 | (30,989)            |
| Corporate Grants                                 | 5,068               | 155,000                           | -                                 | 160,068             |
| Foundation Grants                                | 38,290              | 117,200                           | -                                 | 155,490             |
| Memorial/Trusts                                  | 9,705               | -                                 | 2,594                             | 12,299              |
| Combined Federal<br>Campaign                     | <u>21,959</u>       | <u>-</u>                          | <u>-</u>                          | <u>21,959</u>       |
| Total Public Support                             | <u>409,576</u>      | <u>272,200</u>                    | <u>2,594</u>                      | <u>684,370</u>      |
| Other Revenue:                                   |                     |                                   |                                   |                     |
| Governmental Agencies                            | 295,210             | -                                 | -                                 | 295,210             |
| Program Fees                                     | 8,595               | -                                 | -                                 | 8,595               |
| Membership Dues                                  | 450                 | -                                 | -                                 | 450                 |
| Interest Income                                  | <u>14,266</u>       | <u>-</u>                          | <u>-</u>                          | <u>14,266</u>       |
| Total Other Revenue                              | <u>318,521</u>      | <u>-</u>                          | <u>-</u>                          | <u>318,521</u>      |
| <b>TOTAL REVENUE</b>                             | <u>728,097</u>      | <u>272,200</u>                    | <u>2,594</u>                      | <u>1,002,891</u>    |
| <b>NET ASSETS RELEASED<br/>FROM RESTRICTIONS</b> | <u>199,250</u>      | <u>(199,250)</u>                  | <u>-</u>                          | <u>-</u>            |
| <b>EXPENSES:</b>                                 |                     |                                   |                                   |                     |
| Program Services:                                |                     |                                   |                                   |                     |
| Children's Services                              | 166,248             | -                                 | -                                 | 166,248             |
| Education Services                               | 244,146             | -                                 | -                                 | 244,146             |
| Employment Services                              | 107,422             | -                                 | -                                 | 107,422             |
| Patient Services                                 | <u>590,722</u>      | <u>-</u>                          | <u>-</u>                          | <u>590,722</u>      |
| Total Program<br>Services                        | <u>\$ 1,108,538</u> | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 1,108,538</u> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2006

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Support Services:                                      |                     |                                   |                                   |                   |
| Management and   |                     |                                   |                                   |                   |
| General  | \$ 29,298           | \$ -                              | \$ -                              | \$ 29,298         |
| Fundraising  | <u>102,607</u>      | <u>-</u>                          | <u>-</u>                          | <u>102,607</u>    |
| Total Support<br>Services                              | <u>131,905</u>      | <u>-</u>                          | <u>-</u>                          | <u>131,905</u>    |
| TOTAL EXPENSES   | <u>1,240,443</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,240,443</u>  |
| NET REALIZED AND<br>UNREALIZED GAINS<br>ON INVESTMENTS | <u>19,176</u>       | <u>-</u>                          | <u>-</u>                          | <u>19,176</u>     |
| CHANGES IN NET ASSETS                                  | (293,920)           | 72,950                            | 2,594                             | (218,376)         |
| NET ASSETS AT BEGINNING<br>OF YEAR                     | <u>663,889</u>      | <u>101,500</u>                    | <u>76,254</u>                     | <u>841,643</u>    |
| NET ASSETS AT<br>END OF YEAR                           | <u>\$ 369,969</u>   | <u>\$ 174,450</u>                 | <u>\$ 78,848</u>                  | <u>\$ 623,267</u> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007

|  | Program Services       |                       |                        |                     |                     | Supporting Services          |                   |                   | Total               |
|--|------------------------|-----------------------|------------------------|---------------------|---------------------|------------------------------|-------------------|-------------------|---------------------|
|  | Children's<br>Services | Education<br>Services | Employment<br>Services | Patient<br>Services | Total               | Management<br>and<br>General | Fund-<br>Raising  | Total             |                     |
| <b>HOUSTON FUNCTIONAL EXPENSES:</b>        |                        |                       |                        |                     |                     |                              |                   |                   |                     |
| Salaries                                   | \$ 68,604              | \$ 64,993             | \$ 43,329              | \$ 108,322          | \$ 285,248          | \$ 25,275                    | \$ 50,550         | \$ 75,825         | \$ 361,073          |
| Benefits and Payroll Expenses              | 11,914                 | 11,287                | 7,524                  | 18,811              | 49,536              | 4,389                        | 8,779             | 13,168            | 62,704              |
| <b>Total Salaries and Related Expenses</b> | <b>80,518</b>          | <b>76,280</b>         | <b>50,853</b>          | <b>127,133</b>      | <b>334,784</b>      | <b>29,664</b>                | <b>59,329</b>     | <b>88,993</b>     | <b>423,777</b>      |
| Advocacy                                   | 11,340                 | 10,743                | 7,162                  | 17,905              | 47,150              | 4,178                        | 8,356             | 12,533            | 59,683              |
| Conferences, Convention and Meetings       | 4,953                  | 4,692                 | 3,128                  | 7,820               | 20,592              | 1,825                        | 3,649             | 5,474             | 26,066              |
| Contract Labor                             | 5,197                  | 4,924                 | 3,282                  | 8,206               | 21,610              | 1,915                        | 3,830             | 5,744             | 27,354              |
| Dues, Subscriptions and Ads                | 166                    | 158                   | 105                    | 263                 | 692                 | 61                           | 123               | 184               | 876                 |
| Fundraising Expenses                       | 5,164                  | 4,892                 | 3,261                  | 8,154               | 21,471              | 1,903                        | 3,805             | 5,708             | 27,179              |
| Insurance                                  | 1,623                  | 1,538                 | 1,025                  | 2,563               | 6,748               | 598                          | 1,196             | 1,794             | 8,542               |
| Office Rent                                | 9,275                  | 8,787                 | 5,858                  | 14,645              | 38,566              | 3,417                        | 6,835             | 10,252            | 48,818              |
| Office Supplies                            | 2,803                  | 2,656                 | 1,770                  | 4,426               | 11,656              | 1,033                        | 2,066             | 3,098             | 14,754              |
| Payment to National                        | 3,088                  | 2,925                 | 1,950                  | 4,876               | 12,839              | 1,138                        | 2,275             | 3,413             | 16,252              |
| Postage and Shipping                       | 2,934                  | 2,780                 | 1,853                  | 4,633               | 12,199              | 1,081                        | 2,162             | 3,243             | 15,442              |
| Printing and Publications                  | 2,817                  | 2,669                 | 1,779                  | 4,448               | 11,713              | 1,038                        | 2,076             | 3,114             | 14,827              |
| Professional Fees                          | 2,010                  | 1,905                 | 1,270                  | 3,174               | 8,359               | 741                          | 1,481             | 2,222             | 10,581              |
| Program Activities                         | 35,774                 | 33,891                | 22,594                 | 56,486              | 148,746             | 13,180                       | 26,360            | 39,540            | 188,286             |
| Rental, Repairs and Maintenance            | 2,272                  | 2,153                 | 1,435                  | 3,588               | 9,448               | 837                          | 1,674             | 2,511             | 11,959              |
| Service Charges                            | 3,278                  | 3,106                 | 2,070                  | 5,176               | 13,631              | 1,208                        | 2,416             | 3,623             | 17,254              |
| Telephone                                  | 2,023                  | 1,916                 | 1,278                  | 3,194               | 8,410               | 745                          | 1,490             | 2,236             | 10,646              |
| Travel                                     | 2,113                  | 2,002                 | 1,335                  | 3,337               | 8,786               | 779                          | 1,555             | 2,337             | 11,123              |
| <b>Total Houston Functional Expenses</b>   | <b>177,348</b>         | <b>168,017</b>        | <b>112,008</b>         | <b>280,027</b>      | <b>737,400</b>      | <b>65,341</b>                | <b>130,678</b>    | <b>196,019</b>    | <b>933,419</b>      |
| <b>CLINICS FUNCTIONAL EXPENSES:</b>        |                        |                       |                        |                     |                     |                              |                   |                   |                     |
| Salaries                                   | -                      | -                     | -                      | 73,054              | 73,054              | -                            | -                 | -                 | 73,054              |
| Benefits and Payroll Expenses              | -                      | -                     | -                      | 17,844              | 17,844              | -                            | -                 | -                 | 17,844              |
| <b>Total Salaries and Related Expenses</b> | <b>-</b>               | <b>-</b>              | <b>-</b>               | <b>90,898</b>       | <b>90,898</b>       | <b>-</b>                     | <b>-</b>          | <b>-</b>          | <b>90,898</b>       |
| Miscellaneous Expenses                     | -                      | -                     | -                      | 64,492              | 64,492              | -                            | -                 | -                 | 64,492              |
| Office Rent                                | -                      | -                     | -                      | 11,816              | 11,816              | -                            | -                 | -                 | 11,816              |
| Office Supplies                            | -                      | -                     | -                      | 1,851               | 1,851               | -                            | -                 | -                 | 1,851               |
| Patient Services                           | -                      | -                     | -                      | 71,981              | 71,981              | -                            | -                 | -                 | 71,981              |
| Postage and Shipping                       | -                      | -                     | -                      | 7,038               | 7,038               | -                            | -                 | -                 | 7,038               |
| Printing and Publications                  | -                      | -                     | -                      | 479                 | 479                 | -                            | -                 | -                 | 479                 |
| Rental, Repairs and Maintenance            | -                      | -                     | -                      | 1,724               | 1,724               | -                            | -                 | -                 | 1,724               |
| Telephone                                  | -                      | -                     | -                      | 5,195               | 5,195               | -                            | -                 | -                 | 5,195               |
| Travel                                     | -                      | -                     | -                      | 9,382               | 9,382               | -                            | -                 | -                 | 9,382               |
| <b>Total Clinic Functional Expenses</b>    | <b>-</b>               | <b>-</b>              | <b>-</b>               | <b>264,856</b>      | <b>264,856</b>      | <b>-</b>                     | <b>-</b>          | <b>-</b>          | <b>264,856</b>      |
| <b>DEPRECIATION EXPENSE</b>                | <b>1,008</b>           | <b>955</b>            | <b>637</b>             | <b>1,593</b>        | <b>4,193</b>        | <b>371</b>                   | <b>740</b>        | <b>1,111</b>      | <b>5,304</b>        |
| <b>BAD DEBT EXPENSE</b>                    | <b>1,875</b>           | <b>1,777</b>          | <b>1,185</b>           | <b>2,961</b>        | <b>7,798</b>        | <b>691</b>                   | <b>1,382</b>      | <b>2,073</b>      | <b>9,871</b>        |
| <b>TOTAL EXPENSES</b>                      | <b>\$ 180,231</b>      | <b>\$ 170,749</b>     | <b>\$ 113,830</b>      | <b>\$ 549,437</b>   | <b>\$ 1,014,247</b> | <b>\$ 66,404</b>             | <b>\$ 132,800</b> | <b>\$ 199,204</b> | <b>\$ 1,213,451</b> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2006

|  | Program Services       |                       |                        |                     |                     | Supporting Services          |                   |                   | Total               |
|--|------------------------|-----------------------|------------------------|---------------------|---------------------|------------------------------|-------------------|-------------------|---------------------|
|  | Children's<br>Services | Education<br>Services | Employment<br>Services | Patient<br>Services | Total               | Management<br>and<br>General | Fund-<br>Raising  | Total             |                     |
| <b>HOUSTON FUNCTIONAL EXPENSES:</b>        |                        |                       |                        |                     |                     |                              |                   |                   |                     |
| Salaries                                   | \$ 56,478              | \$ 83,056             | \$ 36,545              | \$ 112,956          | \$ 289,035          | \$ 9,967                     | \$ 33,222         | \$ 43,189         | \$ 332,224          |
| Benefits and Payroll Expenses              | 10,217                 | 15,026                | 6,611                  | 20,435              | 52,289              | 1,803                        | 6,010             | 7,813             | 60,102              |
| <b>Total Salaries and Related Expenses</b> | <b>66,695</b>          | <b>98,082</b>         | <b>43,156</b>          | <b>133,391</b>      | <b>341,324</b>      | <b>11,770</b>                | <b>39,232</b>     | <b>51,002</b>     | <b>392,326</b>      |
| Advocacy                                   | 11,252                 | 16,547                | 7,281                  | 22,504              | 57,584              | 1,986                        | 6,617             | 8,603             | 66,187              |
| Conferences, Convention and Meetings       | 2,752                  | 4,048                 | 1,781                  | 5,505               | 14,086              | 486                          | 1,619             | 2,105             | 16,191              |
| Contract Labor                             | 170                    | 250                   | 110                    | 340                 | 870                 | 30                           | 100               | 130               | 1,000               |
| Dues, Subscriptions and Ads                | 212                    | 312                   | 137                    | 424                 | 1,085               | 37                           | 126               | 163               | 1,248               |
| Fundraising Expenses                       | 14,853                 | 21,843                | 9,611                  | 29,706              | 76,013              | 2,621                        | 13,693            | 16,314            | 92,327              |
| Insurance                                  | 1,225                  | 1,802                 | 793                    | 2,450               | 6,270               | 216                          | 720               | 936               | 7,206               |
| Office Rent                                | 7,609                  | 11,189                | 4,923                  | 15,217              | 38,938              | 1,343                        | 4,476             | 5,819             | 44,757              |
| Office Supplies                            | 1,546                  | 2,273                 | 1,000                  | 3,092               | 7,911               | 273                          | 909               | 1,182             | 9,093               |
| Payment to National                        | 4,930                  | 7,250                 | 3,190                  | 9,859               | 25,229              | 870                          | 2,899             | 3,769             | 28,998              |
| Postage and Shipping                       | 4,548                  | 6,688                 | 2,943                  | 9,095               | 23,274              | 803                          | 2,673             | 3,476             | 26,750              |
| Printing and Publications                  | 3,535                  | 5,199                 | 2,287                  | 7,070               | 18,091              | 624                          | 2,079             | 2,703             | 20,794              |
| Professional Fees                          | 863                    | 1,269                 | 558                    | 1,726               | 4,416               | 152                          | 507               | 659               | 5,075               |
| Program Activities                         | 32,800                 | 48,236                | 21,224                 | 65,601              | 167,861             | 5,788                        | 19,294            | 25,082            | 192,943             |
| Rental, Repairs and Maintenance            | 2,398                  | 3,527                 | 1,552                  | 4,797               | 12,274              | 423                          | 1,411             | 1,834             | 14,108              |
| Service Charges                            | 2,554                  | 3,757                 | 1,653                  | 5,109               | 13,073              | 451                          | 1,502             | 1,953             | 15,026              |
| Telephone                                  | 1,657                  | 2,437                 | 1,072                  | 3,314               | 8,480               | 292                          | 975               | 1,267             | 9,747               |
| Travel                                     | 1,914                  | 2,815                 | 1,238                  | 3,828               | 9,795               | 338                          | 1,126             | 1,464             | 11,259              |
| <b>Total Houston Functional Expenses</b>   | <b>161,513</b>         | <b>237,524</b>        | <b>104,509</b>         | <b>323,028</b>      | <b>826,574</b>      | <b>28,503</b>                | <b>99,958</b>     | <b>128,461</b>    | <b>955,035</b>      |
| <b>CLINICS' FUNCTIONAL EXPENSES:</b>       |                        |                       |                        |                     |                     |                              |                   |                   |                     |
| Salaries                                   | -                      | -                     | -                      | 67,956              | 67,956              | -                            | -                 | -                 | 67,956              |
| Benefits and Payroll Expenses              | -                      | -                     | -                      | 15,037              | 15,037              | -                            | -                 | -                 | 15,037              |
| <b>Total Salaries and Related Expenses</b> | <b>-</b>               | <b>-</b>              | <b>-</b>               | <b>82,993</b>       | <b>82,993</b>       | <b>-</b>                     | <b>-</b>          | <b>-</b>          | <b>82,993</b>       |
| Miscellaneous Expenses                     | -                      | -                     | -                      | 82,263              | 82,263              | -                            | -                 | -                 | 82,263              |
| Office Rent                                | -                      | -                     | -                      | 12,321              | 12,321              | -                            | -                 | -                 | 12,321              |
| Office Supplies                            | -                      | -                     | -                      | 8,748               | 8,748               | -                            | -                 | -                 | 8,748               |
| Patient Services                           | -                      | -                     | -                      | 38,662              | 38,662              | -                            | -                 | -                 | 38,662              |
| Postage and Shipping                       | -                      | -                     | -                      | 6,299               | 6,299               | -                            | -                 | -                 | 6,299               |
| Printing and Publications                  | -                      | -                     | -                      | 214                 | 214                 | -                            | -                 | -                 | 214                 |
| Rental, Repairs and Maintenance            | -                      | -                     | -                      | 10,615              | 10,615              | -                            | -                 | -                 | 10,615              |
| Telephone                                  | -                      | -                     | -                      | 6,880               | 6,880               | -                            | -                 | -                 | 6,880               |
| Travel                                     | -                      | -                     | -                      | 9,693               | 9,693               | -                            | -                 | -                 | 9,693               |
| <b>Total Clinics' Functional Expenses</b>  | <b>-</b>               | <b>-</b>              | <b>-</b>               | <b>258,688</b>      | <b>258,688</b>      | <b>-</b>                     | <b>-</b>          | <b>-</b>          | <b>258,688</b>      |
| <b>DEPRECIATION EXPENSE</b>                | <b>792</b>             | <b>1,165</b>          | <b>513</b>             | <b>1,585</b>        | <b>4,055</b>        | <b>140</b>                   | <b>466</b>        | <b>606</b>        | <b>4,661</b>        |
| <b>BAD DEBT EXPENSE</b>                    | <b>3,943</b>           | <b>5,457</b>          | <b>2,400</b>           | <b>7,421</b>        | <b>19,221</b>       | <b>655</b>                   | <b>2,183</b>      | <b>2,838</b>      | <b>22,059</b>       |
| <b>TOTAL EXPENSES</b>                      | <b>\$ 166,248</b>      | <b>\$ 244,146</b>     | <b>\$ 107,422</b>      | <b>\$ 590,722</b>   | <b>\$ 1,108,538</b> | <b>\$ 29,298</b>             | <b>\$ 102,607</b> | <b>\$ 131,905</b> | <b>\$ 1,240,443</b> |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

|   | <u>2007</u>       | <u>2006</u>       |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                   |                   |
| Changes in Net Assets   | \$ (51,799)       | \$ (218,376)      |
| Adjustments to Reconcile Changes in Net Assets to Net Cash<br>Used in Operating Activities: |                   |                   |
| Depreciation  | 5,306             | 4,661             |
| Loss on Disposal of Assets  | -                 | 1,204             |
| Net Realized Gains on Sale of Investments   | -                 | (12,654)          |
| Net Unrealized (Gains) Losses on Investments  | 482               | (6,522)           |
| Bad Debt Expense and Present Value Adjustment   | 5,130             | 22,059            |
| (Increase) Decrease in:   |                   |                   |
| Grants and Contributions Receivable   | 494               | 40,867            |
| Unconditional Promises to Give  | 20,275            | (12,058)          |
| Prepaid Expenses  | (8,077)           | 5,026             |
| Increase (Decrease) in:   |                   |                   |
| Accounts Payable  | (9,314)           | 16,985            |
| Deferred Revenue  | 13,763            | 21,760            |
|   | <u>13,763</u>     | <u>21,760</u>     |
| Net Cash Used in Operating Activities   | (23,740)          | (137,048)         |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                   |                   |
| Net Sales (Purchases) of Investments  | (29,675)          | 159,158           |
| Purchases of Furniture and Equipment  | (3,819)           | (5,151)           |
|   | <u>(33,494)</u>   | <u>154,007</u>    |
| Net Cash Provided by (Used in) Investing Activities   | (33,494)          | 154,007           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | (57,234)          | 16,959            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | <u>279,812</u>    | <u>262,853</u>    |
| CASH AND CASH EQUIVALENTS AT END OF YEAR  | <u>\$ 222,578</u> | <u>\$ 279,812</u> |
| SUPPLEMENTARY DISCLOSURE:   |                   |                   |
| Writeoff Fully Depreciated Assets   | <u>\$ 2,454</u>   | <u>\$ -</u>       |

The accompanying notes are an integral part of these financial statements.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Epilepsy Foundation of Texas was originally incorporated on March 28, 1980 as the Epilepsy Association of Houston/Gulf Coast. Effective January 27, 1998, the Association changed its name to the Epilepsy Foundation of Southeast Texas. On June 13, 2008, the name was changed to the Epilepsy Foundation of Texas (the "Foundation"). The Foundation works to ensure that people with seizures are able to participate in all life experiences, and to prevent, control and cure epilepsy through education, advocacy, services, and research. Key services include camping and recreational programs, education, information and referral, employment assistance, and medical services. In 2006, the Foundation, which previously provided services in 31 counties of southeast Texas, expanded its service area to include an additional 67 counties in northeast Texas encompassing the Dallas/Fort Worth area. The Foundation offers telemedicine clinics in Beaumont, Houston, Grapevine, Lufkin, and Tyler. This program is funded by the Department of State Health Services (Texas) (see Note 10). The Foundation with offices in Houston and Dallas is supported primarily through donor contributions, special events and corporate, state and foundation grants.

The Foundation is an affiliate of the Epilepsy Foundation National Office. Recent awards from the National Office include Affiliate of the Year, Executive Director of the Year, Volunteer of the Year, and Employee of the Year.

Financial Statement Presentation

The Foundation's financial statements are prepared on the accrual method of accounting in accordance with Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-for-profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

Grants and Contributions Receivable and Unconditional Promises to Give

Promises to give are recorded as revenue in the year they are received unless they contain a conditional promise to give. Promises to give that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Promises to give are considered impaired if payment is not received in accordance with the promise.

As of December 31, 2007 and 2006, an allowance account of \$14,781 and \$19,911, respectively, was established for all accounts which were considered uncollectible for grants and contributions receivable as well as promises to give.

Furniture and Equipment

Donated furniture and equipment is carried at the fair value of the furniture and equipment as of the date of contribution to the Foundation. Purchased furniture and equipment in excess of \$500 are carried at historical cost. Depreciation of the furniture and equipment is based on the straight-line method over seven years.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Furniture and Equipment – Continued

Routine maintenance, repair, renewal and replacement costs are charged against operations in the year incurred. Expenditures, which materially increase values or extend useful lives of property and equipment, are capitalized.

Investments

The Foundation adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income is reported as an increase in unrestricted net assets.

Contributions

The Foundation accounts for contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor and is to be used in future periods or for specific purposes is reported as an increase in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Assets

The Foundation recognizes all donated assets received, including contributions and gifts of furniture and equipment, as income in the period received. All donated assets are reported as unrestricted or as temporarily restricted depending on the existence of donor stipulations that limit the use of the assets. When a donor-restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Services

A number of unpaid volunteers have made significant contributions of their time to help the Foundation in a variety of program activities, office and clerical functions and fundraising events. The fair value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those services, and would typically be purchased if not provided by donation. The fair market value of these donated services is recorded as part of fundraising revenue in the financial statements and totaled \$909 and \$83,516 for the years ended December 31, 2007 and 2006, respectively.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Federal Income Tax

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs of the Foundation's Clinics, and Houston operations, as reflected in the statements of functional expenses, have been allocated among the programs and supporting services benefited.

Financial Instruments

The Foundation's financial instruments (primarily cash and cash equivalents, grants and contributions receivables, short-term unconditional promises to give and payables) are carried in the accompanying statements of net assets at amounts that reasonably approximate fair value.

The fair value of long-term unconditional promises to give is estimated by discounting the future cash flows using a current risk rate of return based on the prime rate at December 31, 2007.

Estimates

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

Reclassifications

Certain reclassifications have been made to amounts reported prior to 2007 to conform to the current year presentation.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash investments. The Foundation places cash investments in a financial institution or in working capital management accounts with a financial services firm. The cash balances in the financial institution and in the working capital management accounts did exceed the federally insured limit as of December 31, 2007, but did not exceed the limit as of December 31, 2006.

NOTE 3 - CASH RESERVES

The Board of Directors of the Foundation strives to maintain reserves to meet a portion of the following year's program expenses. Therefore, the Foundation's financial statements at the end of the each calendar year may reflect enough cash to cover a portion of the following year's program expenses.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist of the following at December 31, 2007 and 2006:

|  | <u>2007</u>      | <u>2006</u>      |
|--|------------------|------------------|
| Contributions Receivable - Brinker Cup Polo Match, Kamp<br>Kaleidoscope, Gala, Summer Stroll and<br>Education Programs | \$ 14,944        | \$ 19,217        |
| Miscellaneous  |                  | -                |
| Department of State Health Services (Texas)  | 37,335           | 12,466           |
| Department of Assistive and Rehabilitative Service   | 788              | 5,828            |
| Epilepsy Foundation National Office  | <u>200</u>       | <u>16,250</u>    |
| Total  | <u>\$ 53,267</u> | <u>\$ 53,761</u> |

NOTE 5 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2007 and 2006 are as follows:

|  | <u>2007</u>     | <u>2006</u>       |
|--|-----------------|-------------------|
| Receivable in Less than One Year           | \$ 64,175       | \$ 83,677         |
| Receivable in One to Five Years            | 43,550          | 59,200            |
| Receivable in more than Five Years         | <u>4,700</u>    | <u>4,700</u>      |
| Total Unconditional Promises to Give       | 112,425         | 147,577           |
| Less: Discounts to Net Present Value       | (9,568)         | (14,185)          |
| Less: Allowance for Uncollectible Promises | <u>(14,781)</u> | <u>(19,911)</u>   |
| Net Unconditional Promises to Give         | <u>88,076</u>   | <u>\$ 113,481</u> |

In 2007 and 2006, the discount rates used on long-term promises to give was 7.25% and 8.25%, respectively.

NOTE 6 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at December 31, 2007 and 2006:

|                                | <u>2007</u>     | <u>2006</u>     |
|--------------------------------|-----------------|-----------------|
| Furniture                      | \$ 5,665        | \$ 5,665        |
| Equipment                      | <u>59,821</u>   | <u>58,456</u>   |
|                                | 65,486          | 64,121          |
| Less: Accumulated Depreciation | <u>(60,009)</u> | <u>(57,157)</u> |
| Net Furniture and Equipment    | <u>\$ 5,477</u> | <u>\$ 6,964</u> |

Depreciation expense totaled \$5,306 and \$4,661 for the years ended December 31, 2007 and 2006, respectively.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - INVESTMENTS

During 1997, the Foundation made certain investments with the Greater Houston Community Foundation to be held for the exclusive benefit of the Foundation. The Foundation retains all rights to these funds and pays an administrative fee of .58% of 1% (58 basis points) per quarter. At December 31, 2007 and 2006, the fair market value of these investments totaled \$241,542 and \$217,630, respectively, of which \$84,052 and \$78,848, respectively, is permanently restricted by donors.

Available for sale securities with a value of \$5,281 as of December 31, 2007 are in a brokerage account. This account is used to receive stock contributions which are sold upon completion of the transfer. These shares were sold in January 2008.

NOTE 8 - LINE OF CREDIT

The Foundation has a credit facility with maximum unsecured borrowings up to \$50,000. Interest on any borrowings is payable to the bank at the current prime rate established by the bank. The line of credit expires February 21, 2009. There were no outstanding borrowings or interest paid during the years ended December 31, 2007 and 2006.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2007 and 2006:

|                       | <u>2007</u>       | <u>2006</u>       |
|-----------------------|-------------------|-------------------|
| Education Coordinator | \$ 35,000         | \$ 35,000         |
| Education Programs    | 1,000             | 3,100             |
| Camping Programs      | 45,000            | 20,850            |
| Kamp Kaleidoscope     | 5,000             | 5,000             |
| Camp Spike 'N' Wave   | 10,000            | 16,000            |
| Advocacy              | -                 | 84,500            |
| Dallas Office         | -                 | 10,000            |
|                       | <u>          </u> | <u>          </u> |
| Total                 | \$ <u>96,000</u>  | \$ <u>174,450</u> |

NOTE 10 - DEPARTMENT OF STATE HEALTH SERVICES (TEXAS)

The Foundation entered into a contract with the Department of State Health Services (Texas) to fund its telemedicine program. The program provides medical services to patients through a video screening process performed by a physician in Galveston, Texas. The contract provides that the state reimburse allowable expenses of the program up to the contract amount. Revenue provided by DSHS under this program totaled \$242,197 and \$258,662 for the years ended December 31, 2007 and 2006, respectively. This contract has been renewed through August 31, 2009.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - SPECIAL EVENTS

Support and costs of direct benefits to donors related to special events for the years ended December 31, 2007 and 2006 totaled:

| Fundraising Events     | Support           |                   | Cost of Direct Benefits to Donor |                  |
|------------------------|-------------------|-------------------|----------------------------------|------------------|
|                        | 2007              | 2006              | 2007                             | 2006             |
| Golf Tournament        | \$ 77,220         | \$ 48,770         | \$ 1,125                         | \$ 18,046        |
| Gala                   | 214,695           | -                 | 31,942                           | 765              |
| Summer Stroll          | 221,247           | 159,440           | 14,654                           | 6,126            |
| Brinker Cup Polo Match | -                 | -                 | -                                | 622              |
| Bowling Event          | 10,046            | 10,391            | 1,400                            | 1,615            |
| Motorcycle             | 6,750             | -                 | 2,060                            | -                |
| Other Special Events   | 222               | 3,757             | -                                | -                |
| Reach for the Stars    | <u>28,305</u>     | <u>78,888</u>     | <u>1,510</u>                     | <u>3,815</u>     |
| Total                  | \$ <u>558,485</u> | \$ <u>301,246</u> | \$ <u>52,691</u>                 | \$ <u>30,989</u> |

In accordance with SFAS No. 117, the costs of direct benefits to donors are reported as a direct reduction from fundraising events revenue.

NOTE 12 - RELATED PARTY

The Foundation has an affiliation with the National Epilepsy Foundation. The Foundation receives grants from the national office. During 2007, the Foundation was awarded \$17,962, of which \$200 is receivable at December 31, 2007. The Foundation paid \$16,252 and \$28,998 for the years ended December 31, 2007 and 2006, respectively, in fees to the national office.

NOTE 13 - OPERATING LEASES

The Foundation leases office space and equipment in Houston and Beaumont under operating leases expiring in various years through 2011. Future minimum rental payments for the noncancelable leases are as follows:

Year Ending December 31,

|            |                   |
|------------|-------------------|
| 2008       | \$ 82,461         |
| 2009       | 66,842            |
| 2010       | 5,280             |
| 2011       | 3,660             |
| Thereafter | <u>3,900</u>      |
| Total      | \$ <u>162,143</u> |

Rental expense totaled approximately \$60,000 and \$57,000 for the years ended December 31, 2007 and 2006, respectively.

EPILEPSY FOUNDATION OF TEXAS  
(A NONPROFIT ORGANIZATION)  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - DEFINED CONTRIBUTION PLAN

The Foundation maintains a 401(k) profit sharing plan under Section 401(a) of the Internal Revenue Code. Under the plan, eligible employees may contribute up to eighty-five percent of their salary but not to exceed the legal limit. The Foundation match is equal to one hundred percent of employee contributions up to three percent of participant compensation. Employee contributions are discretionary. Foundation contributions totaled \$5,780 and \$6,353 for the years ended December 31, 2007 and 2006, respectively.