

Epilepsy Foundation of Texas

FINANCIAL STATEMENTS


December 31, 2019 and 2018



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Epilepsy Foundation of Texas
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Epilepsy Foundation of Texas (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and 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 the 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 audit to obtain reasonable assurance about whether the financial statements are free from 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. 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 Epilepsy Foundation of Texas as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Caru, Riggs & Ingram, L.L.C.

Houston, Texas
August 11, 2020

Epilepsy Foundation of Texas Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 453,467	\$ 500,247
Grants receivable	105,478	118,703
Promises to give	70,075	74,642
Prepaid expenses, current	34,741	15,379
Total current assets	663,761	708,971
Long-term assets		
Prepaid expenses, long term	16,250	-
Investments, net	244,206	209,309
Total long-term assets	260,456	209,309
Total assets	\$ 924,217	\$ 918,280
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 67,797	\$ 115,608
Deferred revenue	8,892	94,950
Total liabilities	76,689	210,558
Commitments and contingencies		
Net assets		
Without donor restrictions		
Board designated funds	126,061	108,047
Undesignated funds	545,907	487,896
	671,968	595,943
With donor restrictions		
Time and purpose restricted	133,335	69,554
Perpetual in nature	42,225	42,225
	175,560	111,779
Total net assets	847,528	707,722
Total liabilities and net assets	\$ 924,217	\$ 918,280

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

Epilepsy Foundation of Texas
Statement of Activities

<i>For the year ended December 31, 2019</i>	donor restrictions	With donor restrictions	Total
Revenue			
Public support			
Contributions	\$ 228,332	\$ 77,242	\$ 305,574
Fundraising events	1,040,505	-	1,040,505
Less: cost of direct benefits to donors	(165,974)	-	(165,974)
Corporate grants	-	175,500	175,500
Foundation grants	40,000	218,500	258,500
Memorial/trusts	32,000	1,040	33,040
Combined campaigns	3,491	-	3,491
Total public support	1,178,354	472,282	1,650,636
Other revenue			
Grants from governmental agencies			
State	632,868	-	632,868
Federal	302,987	-	302,987
Program fees	2,076	-	2,076
Interest income	1,452	1,207	2,659
Total other revenue	939,383	1,207	940,590
Total revenue	2,117,737	473,489	2,591,226
Net assets released from restrictions			
Timing restrictions released	90,000	(90,000)	-
Purpose restrictions released	336,205	(336,205)	-
Expenses			
Program services			
Children's services	410,478	-	410,478
Education services	211,398	-	211,398
Healthcare transition	672,361	-	672,361
Patient services	865,900	-	865,900
Total program services	\$ 2,160,137	\$ -	\$ 2,160,137

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

**Epilepsy Foundation of Texas
Statement of Activities (Continued)**

<i>For the year ended December 31, 2019</i>	donor restrictions	With donor restrictions	Total
Support services			
Management and general	\$ 130,318	\$ -	\$ 130,318
Fundraising	195,064	-	195,064
Total support services	325,382	-	325,382
Total expenses	2,485,519	-	2,485,519
Investment income	17,602	16,497	34,099
Changes in net assets	76,025	63,781	139,806
Net assets at beginning of year	595,943	111,779	707,722
Net assets at end of year	\$ 671,968	\$ 175,560	\$ 847,528

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

Epilepsy Foundation of Texas
Statement of Activities

<i>For the year ended December 31, 2018</i>	donor restrictions	With donor restrictions	Total
Revenue			
Public support			
Contributions	\$ 205,799	\$ 79,798	\$ 285,597
Fundraising events	1,030,799	-	1,030,799
Less: cost of direct benefits to donors	(151,486)	-	(151,486)
Corporate grants	-	6,700	6,700
Foundation grants	24,652	95,400	120,052
Memorial/trusts	13,143	-	13,143
Combined campaigns	10,260	-	10,260
Total public support	1,133,167	181,898	1,315,065
Other revenue			
Grants from governmental agencies			
State	632,868	-	632,868
Federal	426,121	-	426,121
Program fees	8,395	-	8,395
Interest income	1,231	965	2,196
Total other revenue	1,068,615	965	1,069,580
Total revenue	2,201,782	182,863	2,384,645
Net assets released from restrictions			
Timing restrictions released	60,000	(60,000)	-
Purpose restrictions released	149,683	(149,683)	-
Expenses			
Program services			
Children's services	385,796	-	385,796
Education services	86,384	-	86,384
Healthcare transition	764,032	-	764,032
Patient services	908,139	-	908,139
Total program services	\$ 2,144,351	\$ -	\$ 2,144,351

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

**Epilepsy Foundation of Texas
Statement of Activities (Continued)**

<i>For the year ended December 31, 2018</i>	donor restrictions	With donor restrictions	Total
Support services			
Management and general	\$ 117,089	\$ -	\$ 117,089
Fundraising	222,220	-	222,220
Total support services	339,309	-	339,309
Total expenses	2,483,660	-	2,483,660
Investment loss	(6,763)	(6,338)	(13,101)
Changes in net assets	(78,958)	(33,158)	(112,116)
Net assets at beginning of year	674,901	144,937	819,838
Net assets at end of year	\$ 595,943	\$ 111,779	\$ 707,722

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

Epilepsy Foundation of Texas Statement of Functional Expenses

<i>For the year ended December 31, 2019</i>	Program Services				Supporting Services			Total	
	Children's Services	Education Services	Healthcare Transition	Patient Services	Subtotal	Management and General	Fundraising		Subtotal
Foundation expenses									
Salaries	\$ 57,924	\$ 36,201	\$ 177,860	\$ 48,269	\$ 320,254	\$ 62,751	\$ 82,061	\$ 144,812	\$ 465,066
Benefits and payroll expenses	10,346	6,466	31,769	8,622	57,203	11,208	14,658	25,866	83,069
Total salaries and related expenses	68,270	42,667	209,629	56,891	377,457	73,959	96,719	170,678	548,135
Conferences, convention and meetings	3,778	2,361	11,601	3,148	20,888	4,093	5,352	9,445	30,333
Contract labor	3,619	2,262	11,113	3,016	20,010	3,921	5,127	9,048	29,058
Dues, subscriptions and advertising	3,346	2,091	10,274	2,788	18,499	3,625	4,740	8,365	26,864
Fundraising expenses	-	-	-	-	-	-	190,617	190,617	190,617
Insurance	1,968	1,230	6,044	1,640	10,882	2,132	2,789	4,921	15,803
Office rent	14,363	8,976	44,102	11,969	79,410	15,560	20,348	35,908	115,318
Office supplies	1,180	737	3,622	983	6,522	1,278	1,671	2,949	9,471
Postage and shipping	594	371	1,824	495	3,284	643	841	1,484	4,768
Printing and publications	1,551	969	4,763	1,293	8,576	1,680	2,198	3,878	12,454
Professional fees	6,446	4,029	19,794	5,372	35,641	6,984	9,133	16,117	51,758
Program activities	290,184	136,218	-	2,366	428,768	-	-	-	428,768
Rental, repairs and maintenance	4,984	3,115	15,303	4,153	27,555	5,399	7,060	12,459	40,014
Service charges	4,829	3,018	14,828	4,024	26,699	5,231	6,841	12,072	38,771
Telephone	2,039	1,274	6,260	1,699	11,272	2,209	2,888	5,097	16,369
Travel	1,633	1,021	5,016	1,361	9,031	1,770	2,314	4,084	13,115
Total Foundation expenses	408,784	210,339	364,173	101,198	1,084,494	128,484	358,638	487,122	1,571,616
Grant expenses									
Salaries	-	-	100,561	382,168	482,729	-	-	-	482,729
Benefits and payroll expenses	-	-	25,309	69,179	94,488	-	-	-	94,488
Total salaries and related expenses	-	-	125,870	451,347	577,217	-	-	-	577,217
Miscellaneous expenses	-	-	-	32,461	32,461	-	-	-	32,461
Office rent	-	-	-	55,100	55,100	-	-	-	55,100
Office supplies	-	-	28,075	22,591	50,666	-	-	-	50,666
Patient services	-	-	141,653	138,650	280,303	-	-	-	280,303
Postage and shipping	-	-	-	31,911	31,911	-	-	-	31,911
Printing and publications	-	-	-	821	821	-	-	-	821
Telephone	-	-	-	11,587	11,587	-	-	-	11,587
Travel	-	-	7,389	18,822	26,211	-	-	-	26,211
Total grant expenses	-	-	302,987	763,290	1,066,277	-	-	-	1,066,277
Bad debt expense	1,694	1,059	5,201	1,412	9,366	1,834	2,400	4,234	13,600
Total expenses	410,478	211,398	672,361	865,900	2,160,137	130,318	361,038	491,356	2,651,493
Less: cost of direct benefits to donors	-	-	-	-	-	-	(165,974)	(165,974)	(165,974)
Total functional expenses	\$ 410,478	\$ 211,398	\$ 672,361	\$ 865,900	\$ 2,160,137	\$ 130,318	\$ 195,064	\$ 325,382	\$ 2,485,519

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

Epilepsy Foundation of Texas Statement of Functional Expenses

<i>For the year ended December 31, 2018</i>	Program Services				Subtotal	Supporting Services			Subtotal	Total
	Children's Services	Education Services	Healthcare Transition	Patient Services		Management and General	Fundraising			
Foundation expenses										
Salaries	\$ 53,429	\$ 35,965	\$ 164,059	\$ 44,526	\$ 297,979	\$ 60,448	\$ 96,245	\$ 156,693	\$ 454,672	
Benefits and payroll expenses	9,072	6,107	27,858	7,561	50,598	10,265	16,343	26,608	77,206	
Total salaries and related expenses	62,501	42,072	191,917	52,087	348,577	70,713	112,588	183,301	531,878	
Conferences, convention and meetings	1,403	944	4,308	1,169	7,824	1,354	2,761	4,115	11,939	
Contract labor	3,219	2,167	9,885	2,683	17,954	3,106	6,335	9,441	27,395	
Dues, subscriptions and advertising	1,089	733	3,343	907	6,072	1,050	2,142	3,192	9,264	
Fundraising expenses	-	-	-	-	-	-	167,550	167,550	167,550	
Insurance	1,674	1,127	5,139	1,395	9,335	1,615	3,294	4,909	14,244	
Office rent	13,919	9,370	42,741	11,600	77,630	13,429	27,393	40,822	118,452	
Office supplies	1,472	991	4,521	1,227	8,211	1,926	2,898	4,824	13,035	
Postage and shipping	451	304	1,386	376	2,517	436	889	1,325	3,842	
Printing and publications	1,568	1,055	4,814	1,306	8,743	1,512	3,085	4,597	13,340	
Professional fees	6,581	4,430	20,206	5,484	36,701	6,349	12,951	19,300	56,001	
Program activities	275,750	12,309	-	8,575	296,634	-	-	-	296,634	
Rental, repairs and maintenance	5,286	3,558	16,233	4,406	29,483	5,100	10,404	15,504	44,987	
Service charges	4,826	3,248	14,818	4,022	26,914	4,656	9,497	14,153	41,067	
Telephone	1,941	1,306	5,960	1,617	10,824	1,872	3,819	5,691	16,515	
Travel	1,795	1,208	5,512	1,496	10,011	1,732	3,533	5,265	15,276	
Total Foundation expenses	383,475	84,822	330,783	98,350	897,430	114,850	369,139	483,989	1,381,419	
Grant expenses										
Salaries	-	-	166,812	388,297	555,109	-	-	-	555,109	
Benefits and payroll expenses	-	-	37,412	71,589	109,001	-	-	-	109,001	
Total salaries and related expenses	-	-	204,224	459,886	664,110	-	-	-	664,110	
Miscellaneous expenses	-	-	-	27,011	27,011	-	-	-	27,011	
Office rent	-	-	-	49,855	49,855	-	-	-	49,855	
Office supplies	-	-	42,570	31,374	73,944	-	-	-	73,944	
Patient services	-	-	162,250	160,462	322,712	-	-	-	322,712	
Postage and shipping	-	-	-	33,201	33,201	-	-	-	33,201	
Printing and publications	-	-	-	1,314	1,314	-	-	-	1,314	
Rental, repairs and maintenance	-	-	-	331	331	-	-	-	331	
Telephone	-	-	-	11,864	11,864	-	-	-	11,864	
Travel	-	-	17,078	32,557	49,635	-	-	-	49,635	
Total grant expenses	-	-	426,122	807,855	1,233,977	-	-	-	1,233,977	
Bad debt expense	2,321	1,562	7,127	1,934	12,944	2,239	4,567	6,806	19,750	
Total expenses	385,796	86,384	764,032	908,139	2,144,351	117,089	373,706	490,795	2,635,146	
Less: cost of direct benefits to donors	-	-	-	-	-	-	(151,486)	(151,486)	(151,486)	
Total functional expenses	\$ 385,796	\$ 86,384	\$ 764,032	\$ 908,139	\$ 2,144,351	\$ 117,089	\$ 222,220	\$ 339,309	\$ 2,483,660	

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

Epilepsy Foundation of Texas
Statements of Cash Flows

<i>For the years ended December 31,</i>	2019	2018
Operating activities		
Changes in net assets	\$ 139,806	\$ (112,116)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gains) losses on investments	(34,099)	13,101
Bad debt expense	13,600	19,750
Changes in operating assets and liabilities		
Grants receivable	13,225	120,048
Promises to give	(9,033)	(26,447)
Prepaid expenses	(35,612)	(14,050)
Accounts payable and accrued liabilities	(47,811)	(32,327)
Deferred revenue	(86,058)	68,283
Net cash provided by (used in) operating activities	(45,982)	36,242
Investing activities		
Proceeds from sales of investments	1,697	21,853
Purchase of investments	(2,495)	(1,995)
Net cash provided by (used in) investing activities	(798)	19,858
Net change in cash and cash equivalents	(46,780)	56,100
Cash and cash equivalents at beginning of year	500,247	444,147
Cash and cash equivalents at end of year	\$ 453,467	\$ 500,247

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

Note 1: ORGANIZATION AND NATURE OF ACTIVITIES

The Epilepsy Foundation of Texas (the Foundation) was originally organized on March 28, 1980. The Foundation's mission statement is to lead the fight to overcome the challenge of living with epilepsy and to accelerate therapies to stop seizures, find cures, and save lives. The Foundation is an affiliate of the Epilepsy Foundation National Office and works to ensure that people with seizures are able to participate in all life experiences, and to prevent, control and cure epilepsy through research, education, advocacy, and services. Key services include camping and recreational programs, education, information and referral, health transition, and medical services. The Foundation provides services in the 176 counties of Texas and offers clinics in Amarillo, Beaumont, Houston, Grapevine, Lubbock, Lufkin, and Fort Worth. The medical clinics are funded by the Health and Human Services Commission (HHSC) (see Note 9). The Foundation, with offices in Houston, Dallas, Amarillo and Lubbock, is supported primarily through donor contributions, special events and corporate, state and foundation grants.

Note 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs). The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets without Donor Restriction—Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net Assets with Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with initial maturities of 90 days or less to be cash equivalents.

Grants Receivable and Promises to Give

Grants receivable and unconditional promises to give are recorded when the Foundation receives notification of the grant or promise to give. Amounts 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. As of December 31, 2019 and 2018, all receivables are expected to be collected within the next twelve months.

Management considers all grants receivable and unconditional promises to give at December 31, 2019 and 2018 to be collectible. Therefore no allowance was considered necessary for those receivables.

Fair Value Considerations

The Foundation uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Foundation did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Foundation's financial instruments (primarily cash and cash equivalents, receivables, investments and payables) are carried in the financial statements at amounts that reasonably approximate fair value.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities and alternative assets are recorded at fair value. Investment return includes interest, dividends, and realized and unrealized gains or losses. Investment return is reported in the statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with the donor-imposed restrictions. Marketable securities donated to the Foundation are recorded at fair value on the date of donation.

Furniture and Equipment

Furniture and equipment are recorded at cost or, in the case of donated assets, the estimated fair value at the date of the gift. The Foundation capitalizes all expenses for furniture and equipment in excess of \$5,000. Depreciation of the furniture and equipment is based on the straight-line method over three to seven years. All assets are fully depreciated and as such there was no depreciation expense for the years ended December 31, 2019 and 2018.

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.

Deferred Revenue

Prior to adoption of ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, deferred revenue consisted of pre-sale tickets to special events or contributions raised for the benefit of fundraising events set to occur in a future period. Post adoption of ASU 2018-08, deferred revenue included the exchange value of pre-sale tickets to special events.

Revenue Recognition

A portion of the Foundation's revenue is derived from state and federal contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract provisions.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation recognizes contributions and grants when cash or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received are recorded as increases in net assets with donor restrictions or net asset without donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Assets

The Foundation recognizes donated assets received, including contributions and gifts of furniture and equipment, as revenue at fair value when an unconditional commitment from the donor is received. The related expense is recorded as the item is used or when the service is provided. No donated assets were recognized for the years ended December 31, 2019 and 2018.

Donated Services

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.

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 because the services do not meet the criteria for revenue recognition under U.S. generally accepted accounting principles.

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 and statements of functional expenses. Costs identifiable with a specific program or supporting services are charged directly to that particular cost center. Certain costs of the Foundation's clinics, grants, and operations, as reflected in the statements of functional expenses, have been allocated among the programs and supporting services benefited. All expenses are allocated on the basis of estimates of time and effort, except for fundraising expenses, program activities, and grant expenses which are directly charged to the respective functional categories.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Foundation accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2019 and 2018, management believes there were no uncertain tax positions.

Recently Adopted Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Foundation serves as a resource recipient for fiscal years beginning after December 15, 2018. Effective January 1, 2019, the Foundation applied the provisions of this ASU on a modified prospective basis, which did not result in a material impact to the financial statements.

Recent Financial Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, investments, as well as a line of credit (see Note 6). The Foundation strives to maintain liquidity in assets sufficient to cover 90 days of general expenditures.

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. Certain investments are not included in the analysis as the investments are restricted by donors into perpetuity and are, therefore, not available to meet current operating needs.

The Foundation's financial assets due within one year of the statement of financial position date for general expenditures consist of the following:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 453,467	\$ 500,247
Accounts receivable	175,553	193,345
Less: donor-imposed restrictions making financial assets unavailable for general expenditure	(9,625)	(10,517)
Total financial assets	\$ 619,395	\$ 683,075

Note 4: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash. The Foundation places cash in a financial institution or in working capital management accounts with a financial services firm. At times, the cash balances in the financial institution and in the working capital management accounts may exceed the federally insured limit.

Funds received through government grants are a significant source of revenue upon which the Foundation depends to carry out its operations. A decrease in such funding would have a direct effect on program services provided by the Foundation.

Note 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Note 5: FAIR VALUE MEASUREMENTS (Continued)

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The Foundation holds certain investments with the Greater Houston Community Foundation (GHCF) to be held for the exclusive benefit of the Foundation. GHCF maintains the funds and handles the day-to-day investments and administration activities. GHCF uses its own staff, independent investment advisors, managers, and other third-party contractors in the same manner GHCF with its own funds. The Foundation retains all rights to these funds and pays an administrative fee each quarter.

Since the investments are maintained in a pooled fund by GHCF, the individual fair value amounts included in the pooled funds are not available for disclosure in the financial statements. The fair value is based on the values provided by GHCF and is determined as Level 3 inputs, which are defined as fair value amounts based on unobservable inputs that cannot be verified in the market place. Investments are exposed to various risks such as interest rate risk, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and the statements of activities. The Foundation's Level 3 investments have been valued using unadjusted third-party transactions and quotations. No unobservable inputs internally developed by management have been applied to these investments.

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 5: FAIR VALUE MEASUREMENTS (Continued)

The value of assets measured at fair value on a recurring basis is as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<i>December 31, 2019</i>				
Equity securities				
Global equity	\$ -	\$ -	\$ 148,746	\$ 148,746
Alternative investments				
Long-short funds	-	-	33,603	33,603
Fixed income securities				
Global fixed income	-	-	48,817	48,817
Money market investments	-	-	13,040	13,040
	\$ -	\$ -	\$ 244,206	\$ 244,206
<i>December 31, 2018</i>				
Equity securities				
Domestic equity	\$ -	\$ -	\$ 51,972	\$ 51,972
Global equity	-	-	22,543	22,543
Foreign equity	-	-	26,854	26,854
Alternative investments				
Long-short funds	-	-	30,727	30,727
Fixed income securities				
Government bonds	-	-	10,730	10,730
Corporate bonds	-	-	21,945	21,945
Asset backed	-	-	13,334	13,334
Long-short fixed income	-	-	4,183	4,183
Global fixed income	-	-	8,330	8,330
Money market investments	-	-	18,691	18,691
	\$ -	\$ -	\$ 209,309	\$ 209,309

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 5: FAIR VALUE MEASUREMENTS (Continued)

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investments:

<i>For the years ended December 31,</i>	2019	2018
Balance, beginning of year	\$ 209,309	\$ 222,083
Administrative charges	(1,697)	(1,668)
Net investment income (loss)	36,594	(11,106)
Balance, end of year	\$ 244,206	\$ 209,309

Note 6: LINE OF CREDIT

In 2015, the Foundation opened a master revolving credit facility with a bank with maximum borrowing up to \$50,000, secured by substantially all assets of the Foundation. Interest on any borrowings is payable to the bank at the current prime rate established by the Wall Street Journal plus 1.6 percentage points. The line of credit is due on demand. At December 31, 2019 and 2018, there were no outstanding borrowings on the line of credit.

Note 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

<i>December 31,</i>	2019	2018
Subject to expenditure for specific purpose		
Camp Spike 'N' Wave	\$ 26,040	\$ -
Various programs	21,750	-
United Way	9,625	10,517
	57,415	10,517
Subject to spending policy and appropriation		
Accumulated undistributed earnings on endowment funds	75,920	59,037
Perpetual-in-Nature	42,225	42,225
Total net assets with donor restrictions	\$ 175,560	\$ 111,779

Note 8: ENDOWMENTS

Interpretation of Relevant Law

The Foundation is subject to the *Texas Uniform Prudent Management of Institutional Funds Act* (the Act). The Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction – perpetual in nature: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment. Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund are classified as net assets with donor restrictions – purpose restricted. The portion of the endowment fund that is board designated is classified as net assets without donor restrictions.

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

- Duration and preservation of the funds
- Purposes of the Foundation and the donor restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Earnings of the fund the previous year such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.
- Other resources of the Foundation
- Investment policies of the Endowment Fund

Return Objectives and Risk Parameters

The Epilepsy Foundation of Texas's Carlisle Norwood Endowment (Endowment) and Board Designated Endowment are with the Greater Houston Community Foundation and a financial institution. It was the Board of Directors' objective not to be involved in the day-to-day investing of funds and to rely on the expertise of the Greater Houston Community Foundation and their investment policy, objectives and guidelines. Under this policy, the endowment assets are invested in a manner to provide long-term growth of the assets for future needs without exposure to undue risk.

Note 8: ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term growth objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment fund consists of contributions to the Foundation designated by the donors of the fund and Board designated funds without donor restrictions plus appreciation and income. The Foundation targets an asset allocation that will achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The objective of the Endowment is to sustain the Foundation in the future to support the programs of the Foundation. Donor restricted earnings on Endowment funds may be invaded for specific purposes only by a two thirds majority vote of the Board of Directors. Permanently restricted contributions were contributed to the Foundation with no purpose restriction on current earnings.

In previous years, the Board has designated excess cash reserves for future growth. All earnings have been designated by the Board until the Board releases the designation.

The following tables describe the Foundation’s endowment net asset composition by type of fund and the changes in endowment net assets as of and for the years ended December 31, 2019 and 2018.

Endowment net asset composition by type of fund is as follows:

<i>December 31,</i>	2019	2018
Board designated endowment funds	\$ 126,061	\$ 108,047
Donor restricted endowment funds		
Original donor-restricted gift amount required to be retained by donor	42,225	42,225
Portion subject to appropriation under UPMIFA	75,920	59,037
Total endowment funds	\$ 244,206	\$ 209,309

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 8: ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2018	\$ 114,641	\$ 107,442	\$ 222,083
Investment return			
Investment income	1,030	965	1,995
Net depreciation (realized and unrealized)	(6,763)	(6,338)	(13,101)
Total investment return	(5,733)	(5,373)	(11,106)
Other changes - fees paid	(861)	(807)	(1,668)
Endowment net assets, December 31, 2018	108,047	101,262	209,309
Investment return			
Investment income	1,288	1,207	2,495
Net appreciation (realized and unrealized)	17,602	16,497	34,099
Total investment return	18,890	17,704	36,594
Other changes - fees paid	(876)	(821)	(1,697)
Endowment net assets, December 31, 2019	\$ 126,061	\$ 118,145	\$ 244,206

Note 9: STATE GOVERNMENTAL FUNDING (TEXAS)

The Foundation entered into a contract with the Health and Human Services Commission (HHSC) to fund its medical clinics. The contract provides that the state reimburse allowable expenses of the program up to the contract amount.

Revenue provided by HHSC under this program totaled \$632,868 for the years ended December 31, 2019 and 2018. This contract ends August 31, 2020. Subsequent to December 31, 2019, the Foundation was notified that a new grant has been approved for the year ending August 31, 2021 which includes a reduction in the grant award of approximately \$145,000. The Foundation is in the process of evaluating their medical clinics and looking for areas to reduce costs which include salaries and wages, office rent, and patient services. Funding for the grant period ending August 31, 2020 remained consistent with prior years.

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 10: FEDERAL GOVERNMENTAL FUNDING

The Foundation entered into a contract with the Department of Health Resources and Services Administration (HRSA) to fund its telemedicine programs as well as provide outreach and education to underserved areas. The contract provides that the federal agency reimburse allowable expenses of the program up to the contract amount.

Revenue provided by HRSA under this program totaled \$302,987 and \$426,121 for the years ended December 31, 2019 and 2018, respectively. The term of this contract ended August 31, 2019.

Note 11: SPECIAL EVENTS

Support and costs of direct benefits to donors related to special events for the years ended December 31, 2019 and 2018 totaled:

	Support		Costs of Direct Benefits to Donors	
	2019	2018	2019	2018
Fundraising events				
Dinner events	\$ 505,875	\$ 478,791	\$ 106,859	\$ 87,269
Summer strolls/5K	436,671	478,814	49,046	56,722
Marathon	69,443	33,095	280	811
Other events	28,516	40,099	9,789	6,684
	\$ 1,040,505	\$ 1,030,799	\$ 165,974	\$ 151,486

In accordance with accounting standards, the costs of direct benefits to donors are reported as a direct reduction from fundraising events revenue.

Note 12: RELATED PARTY TRANSACTIONS

The Foundation has an affiliation with the National Epilepsy Foundation. The Foundation receives grants from the national office.

During 2019 and 2018, the Foundation was awarded and received \$36,500 and \$10,279, respectively. Amounts due from the national office at December 31, 2019 and 2018 was \$21,750 and \$0, respectively. The Foundation paid \$26,050 in fees to the national office for the year ended December 31, 2019 and \$8,333 was paid in 2018. In 2019 and 2018, the Foundation paid \$15,000 and \$0, respectively, to the national office for research.

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 13: COMMITMENTS

The Foundation leases office space and equipment in Houston under operating leases and has service agreements expiring in various years through 2026. Future minimum payments for the noncancellable leases and service agreements are as follows:

<i>Year ending December 31,</i>	
2020	\$ 182,441
2021	177,659
2022	178,187
2023	4,920
2024	1,920
Thereafter	2,399
	\$ 547,526

Office rental expense was \$184,018 and \$168,308 for the years ended December 31, 2019 and 2018, respectively.

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. Foundation contributions totaled \$21,798 and \$21,533 for the years ended December 31, 2019 and 2018, respectively.

NOTE 15: SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through the date the financial statements were available for issuance on August 11, 2020.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Foundation. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government(s) quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial and oil markets, (v) duration of the depression within the oil market, specifically, and (vi) the effects on the economy overall, all of which are uncertain.

NOTE 15: SUBSEQUENT EVENTS (Continued)

In May 2020, the Foundation received \$159,690 in loan proceeds related to the Small Business Administration Paycheck Protection Program (“SBA PPP”) as established by the Coronavirus Aid, Relief, and Economic Security Act. The interest rate on the loan is fixed at 1% per annum and accrues from the date the proceeds are received, however, principal and interest payments on the loan shall be deferred for six months. As mentioned in the loan agreement, commencing December 2020, the Foundation will make 18 consecutive monthly payments of principal and interest in an amount sufficient to fully amortize the loan over the remaining term. The loan will mature in May 2022 at which time the Foundation will make one final payment of the outstanding principal balance on the loan, including all accrued and unpaid interest. The loan may be fully or partially forgiven depending on certain criteria being met as defined by the SBA PPP.