



Epilepsy Foundation of Texas

FINANCIAL STATEMENTS

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Epilepsy Foundation of Texas (a nonprofit organization) (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
August 4, 2022

Epilepsy Foundation of Texas Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 980,861	\$ 733,456
Grants receivable	186,435	96,688
Promises to give	103,221	101,351
Prepaid expenses	21,659	53,635
Total current assets	1,292,176	985,130
Long-term assets		
Investments	319,607	284,482
Total assets	\$ 1,611,783	\$ 1,269,612
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 58,740	\$ 55,311
Deferred revenue	3,402	6,392
PPP loan funding	-	159,690
Total current liabilities	62,142	221,393
Long-term liabilities		
Deferred rent	22,831	-
EIDL loan funding	150,000	150,000
Total long-term liabilities	172,831	150,000
Total liabilities	234,973	371,393
Commitments and contingencies		
Net assets		
Without donor restrictions		
Board designated funds	164,984	146,852
Undesignated funds	1,031,233	526,987
Total net assets without donor restrictions	1,196,217	673,839
With donor restrictions		
Time and purpose restricted	138,368	182,155
Perpetual in nature	42,225	42,225
Total net assets with donor restrictions	180,593	224,380
Total net assets	1,376,810	898,219
Total liabilities and net assets	\$ 1,611,783	\$ 1,269,612

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, 2021</i>	Without donor restrictions	With donor restrictions	Total
Revenue			
Public support			
Contributions	\$ 169,122	\$ 62,038	\$ 231,160
Fundraising events	934,227	-	934,227
Less: cost of direct benefits to donors	(105,882)	-	(105,882)
Corporate grants	-	27,250	27,250
Foundation grants	73,399	37,500	110,899
Memorial/trusts	6,295	-	6,295
Combined campaigns	125	-	125
Total public support	1,077,286	126,788	1,204,074
Other revenue			
Grants from governmental agencies			
State	580,129	-	580,129
Federal	84,885	-	84,885
Employee retention credits	281,605	-	281,605
Program fees	234	-	234
Gain on PPP loan forgiveness	309,590	-	309,590
Interest income	576	309	885
Total other revenue	1,257,019	309	1,257,328
Total revenue	2,334,305	127,097	2,461,402
Net assets released from restrictions			
Timing restrictions released	18,000	(18,000)	-
Purpose restrictions released	170,659	(170,659)	-
Expenses			
Program services			
Children's services	180,735	-	180,735
Education services	183,195	-	183,195
Community health workers	221,948	-	221,948
Patient services	785,061	-	785,061
Total program services	1,370,939	-	1,370,939

(Continued)

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, 2021</i>	Without donor restrictions	With donor restrictions	Total
Support services			
Management and general	\$ 228,027	\$ -	\$ 228,027
Fundraising	420,586	-	420,586
Total support services	648,613	-	648,613
Total expenses	2,019,552	-	2,019,552
Investment income	18,966	17,775	36,741
Changes in net assets	522,378	(43,787)	478,591
Net assets at beginning of year	673,839	224,380	898,219
Net assets at end of year	\$ 1,196,217	\$ 180,593	\$ 1,376,810

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, 2020</i>	Without donor restrictions	With donor restrictions	Total
Revenue			
Public support			
Contributions	\$ 190,378	\$ 60,425	\$ 250,803
Fundraising events	527,448	-	527,448
Less: cost of direct benefits to donors	(33,921)	-	(33,921)
Corporate grants	-	5,000	5,000
Foundation grants	215,844	93,930	309,774
Memorial/trusts	19,638	-	19,638
Combined campaigns	8,048	-	8,048
Total public support	927,435	159,355	1,086,790
Other revenue			
Grants from governmental agencies			
State	615,288	-	615,288
Federal	-	-	-
Program fees	2,340	-	2,340
Interest income	1,202	947	2,149
Total other revenue	618,830	947	619,777
Total revenue	1,546,265	160,302	1,706,567
Net assets released from restrictions			
Timing restrictions released	45,000	(45,000)	-
Purpose restrictions released	85,900	(85,900)	-
Expenses			
Program services			
Children's services	119,565	-	119,565
Education services	273,585	-	273,585
Patient services	780,585	-	780,585
Total program services	1,173,735	-	1,173,735

(Continued)

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, 2020</i>	Without donor restrictions	With donor restrictions	Total
Support services			
Management and general	\$ 200,405	\$ -	\$ 200,405
Fundraising	321,873	-	321,873
Total support services	522,278	-	522,278
Total expenses	1,696,013	-	1,696,013
Investment income	20,719	19,418	40,137
Changes in net assets	1,871	48,820	50,691
Net assets at beginning of year	671,968	175,560	847,528
Net assets at end of year	\$ 673,839	\$ 224,380	\$ 898,219

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, 2021</i>	Program Services					Supporting Services				Total
	Children's Services	Education Services	Community Health Workers	Patient Services	Subtotal	Management and General	Fundraising	Subtotal		
Foundation expenses										
Salaries	\$ 43,855	\$ 87,112	\$ 65,904	\$ 28,194	\$ 225,065	\$ 109,643	\$ 151,815	\$ 261,458	\$ 486,523	
Benefits and payroll expenses	9,886	19,637	14,856	6,356	50,735	24,716	34,223	58,939	109,674	
Total salaries and related expenses	53,741	106,749	80,760	34,550	275,800	134,359	186,038	320,397	596,197	
Conferences, convention and meetings	422	837	634	271	2,164	1,054	1,459	2,513	4,677	
Contract labor	5,820	11,561	8,746	3,742	29,869	14,551	20,148	34,699	64,568	
Dues, subscriptions and advertising	2,762	5,486	4,151	1,776	14,175	6,905	9,562	16,467	30,642	
Fundraising expenses	-	-	-	-	-	-	210,733	210,733	210,733	
Insurance	1,735	3,447	2,608	1,116	8,906	4,338	6,007	10,345	19,251	
Office rent	10,709	21,272	16,093	6,885	54,959	26,774	37,072	63,846	118,805	
Office supplies	1,586	3,150	2,383	1,020	8,139	3,964	5,490	9,454	17,593	
Postage and shipping	506	1,006	761	325	2,598	1,266	1,752	3,018	5,616	
Printing and publications	549	1,091	825	353	2,818	1,373	1,901	3,274	6,092	
Professional fees	1,776	3,527	2,669	1,142	9,114	4,440	6,147	10,587	19,701	
Program activities	89,528	2,025	-	1,437	92,990	-	-	-	92,990	
Rental, repairs and maintenance	5,044	10,019	7,580	3,243	25,886	12,610	17,460	30,070	55,956	
Service charges	3,424	6,802	5,146	2,201	17,573	8,561	11,854	20,415	37,988	
Telephone	1,851	3,677	2,782	1,190	9,500	4,628	6,408	11,036	20,536	
Travel	1,282	2,546	1,926	824	6,578	3,204	4,437	7,641	14,219	
Total Foundation expenses	180,735	183,195	137,064	60,075	561,069	228,027	526,468	754,495	1,315,564	
Grant expenses										
Salaries	-	-	75,287	323,393	398,680	-	-	-	398,680	
Benefits and payroll expenses	-	-	-	49,928	49,928	-	-	-	49,928	
Total salaries and related expenses	-	-	75,287	373,321	448,608	-	-	-	448,608	
Miscellaneous expenses	-	-	-	31,934	31,934	-	-	-	31,934	
Office rent	-	-	-	65,810	65,810	-	-	-	65,810	
Office supplies	-	-	6,929	12,391	19,320	-	-	-	19,320	
Patient services	-	-	-	168,345	168,345	-	-	-	168,345	
Postage and shipping	-	-	-	42,112	42,112	-	-	-	42,112	
Printing and publications	-	-	228	746	974	-	-	-	974	
Rental, repairs and maintenance	-	-	1,350	-	1,350	-	-	-	1,350	
Telephone	-	-	-	19,823	19,823	-	-	-	19,823	
Travel	-	-	1,090	10,504	11,594	-	-	-	11,594	
Total grant expenses	-	-	84,884	724,986	809,870	-	-	-	809,870	
Total expenses	180,735	183,195	221,948	785,061	1,370,939	228,027	526,468	754,495	2,125,434	
Less: cost of direct benefits to donors	-	-	-	-	-	-	(105,882)	(105,882)	(105,882)	
Total functional expenses	\$ 180,735	\$ 183,195	\$ 221,948	\$ 785,061	\$ 1,370,939	\$ 228,027	\$ 420,586	\$ 648,613	\$ 2,019,552	

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, 2020</i>	Program Services				Supporting Services			Subtotal	Total
	Children's Services	Education Services	Patient Services	Subtotal	Management and General	Fundraising	Subtotal		
Foundation expenses									
Salaries	\$ 48,709	\$ 147,300	\$ 17,395	\$ 213,404	\$ 107,861	\$ 160,045	\$ 267,906	\$ 481,310	
Benefits and payroll expenses	9,216	27,869	3,291	40,376	20,407	30,280	50,687	91,063	
Total salaries and related expenses	57,925	175,169	20,686	253,780	128,268	190,325	318,593	572,373	
Advocacy	218	658	78	954	482	715	1,197	2,151	
Conferences, convention and meetings	925	2,797	330	4,052	2,048	3,039	5,087	9,139	
Contract labor	1,249	3,776	446	5,471	2,765	4,103	6,868	12,339	
Dues, subscriptions and advertising	3,009	9,098	1,074	13,181	6,662	9,885	16,547	29,728	
Fundraising expenses	-	-	-	-	-	58,422	58,422	58,422	
Insurance	2,287	6,916	817	10,020	5,064	7,515	12,579	22,599	
Office rent	10,877	32,894	3,884	47,655	24,086	35,740	59,826	107,481	
Office supplies	643	1,944	230	2,817	1,423	2,112	3,535	6,352	
Postage and shipping	377	1,141	135	1,653	835	1,240	2,075	3,728	
Printing and publications	655	1,980	234	2,869	1,450	2,152	3,602	6,471	
Professional fees	2,646	8,001	945	11,592	5,858	8,693	14,551	26,143	
Program activities	29,055	(104)	472	29,423	-	-	-	29,423	
Rental, repairs and maintenance	4,999	15,117	1,785	21,901	11,069	16,425	27,494	49,395	
Service charges	2,962	8,956	1,058	12,976	6,558	9,731	16,289	29,265	
Telephone	1,718	5,194	613	7,525	3,803	5,644	9,447	16,972	
Travel	20	48	6	74	34	53	87	161	
Total Foundation expenses	119,565	273,585	32,793	425,943	200,405	355,794	556,199	982,142	
Grant expenses									
Salaries	-	-	391,254	391,254	-	-	-	391,254	
Benefits and payroll expenses	-	-	60,938	60,938	-	-	-	60,938	
Total salaries and related expenses	-	-	452,192	452,192	-	-	-	452,192	
Miscellaneous expenses	-	-	29,847	29,847	-	-	-	29,847	
Office rent	-	-	48,657	48,657	-	-	-	48,657	
Office supplies	-	-	18,438	18,438	-	-	-	18,438	
Patient services	-	-	137,589	137,589	-	-	-	137,589	
Postage and shipping	-	-	32,726	32,726	-	-	-	32,726	
Printing and publications	-	-	630	630	-	-	-	630	
Telephone	-	-	12,032	12,032	-	-	-	12,032	
Travel	-	-	15,681	15,681	-	-	-	15,681	
Total grant expenses	-	-	747,792	747,792	-	-	-	747,792	
Total expenses	119,565	273,585	780,585	1,173,735	200,405	355,794	556,199	1,729,934	
Less: cost of direct benefits to donors	-	-	-	-	-	(33,921)	(33,921)	(33,921)	
Total functional expenses	\$ 119,565	\$ 273,585	\$ 780,585	\$ 1,173,735	\$ 200,405	\$ 321,873	\$ 522,278	\$ 1,696,013	

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>	2021	2020
Operating activities		
Changes in net assets	\$ 478,591	\$ 50,691
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	(36,741)	(40,137)
Gain on PPP loan forgiveness	(309,590)	-
Changes in operating assets and liabilities		
Grants receivable	(89,747)	8,790
Promises to give	(1,870)	(31,276)
Prepaid expenses	31,976	(2,644)
Accounts payable and accrued liabilities	3,429	(12,486)
Deferred revenue	(2,990)	(2,500)
Deferred rent	22,831	-
Net cash provided by (used in) operating activities	95,889	(29,562)
Investing activities		
Proceeds from sales of investments	2,255	1,819
Purchase of investments	(639)	(1,958)
Net cash provided by (used in) investing activities	1,616	(139)
Financing activities		
Proceeds from PPP loan	149,900	159,690
Proceeds from EIDL loan	-	150,000
Net cash provided by financing activities	149,900	309,690
Net change in cash and cash equivalents	247,405	279,989
Cash and cash equivalents at beginning of year	733,456	453,467
Cash and cash equivalents at end of year	\$ 980,861	\$ 733,456

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

Epilepsy Foundation of Texas Notes to 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 10). 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).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

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. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor.

Epilepsy Foundation of Texas Notes to Financial Statements

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Management considers all grants receivable and unconditional promises to give at December 31, 2021 and 2020 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. Based on market interest rates for similar loans, the fair value of long-term debt approximates their carrying value.

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.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020.

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

Deferred revenue includes the exchange value of pre-sale tickets to special events in accordance with ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

Deferred Rent

Certain operating lease agreements are structured to include scheduled rent increases over the term of the lease agreement. When significant, such rent changes are recognized on a straight-line basis over the term of the lease agreement with the difference reflected as deferred rent liability.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating endowment.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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.

The Foundation's contributions are considered to be available without restrictions unless specifically restricted by the donor. Amounts received that are designated or future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or stipulated purpose is accomplished, 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.

Fundraising revenue represents the amounts paid by donors, sponsors, and attendees of fundraising events. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Exchange transactions are recognized as revenue under ASC Topic 606, *Revenues from Contracts with Customers* (ASC 606), when the performance obligations under the terms of the contracts with customers are satisfied. Cost of direct donor benefits provided represent the costs of goods and services provided in exchange for the amount paid by event attendees. The cost of direct donor benefits provided for the year ended December 31, 2021 and 2020 totaled \$105,882 and \$33,921, respectively.

The Foundation receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits would become a liability of the Foundation. However, in the opinion of management, potential disallowed claims, if any, would not have a material effect on the Foundation's financial statements.

The CARES Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit during 2021 is equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter.

The ERC is considered a non-exchange transaction with a government entity and the Foundation is recognizing revenue following the guidance under FASB ASC 958-605, government grant model. The ERC has been recognized for the quarters in which the Foundation qualified and used the credit against qualifying payroll and health care costs. The Foundation did not receive any advances on the ERC.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020.

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.

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, 2021 and 2020, management believes there were no uncertain tax positions.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 4, 2022, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Guidance

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, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, amended the effective date of ASU 2016-02 for certain organizations. Specifically, private companies and private not-for-profit organizations may apply the new lease standard for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 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.

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.

Epilepsy Foundation of Texas Notes to Financial Statements

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

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>	2021	2020
Cash and cash equivalents	\$ 980,861	\$ 733,456
Grants and promises to give	289,656	198,039
Less: donor-imposed restrictions making financial assets unavailable for general expenditure	(10,970)	(4,250)
Total financial assets	\$ 1,259,547	\$ 927,245

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.

As of December 31, 2021, two grantors accounted for 54% of grants receivable. As of December 31, 2020, one grantor accounted for 49% of grants receivable.

As of December 31, 2021 and 2020, two donors accounted for 22% and 30%, respectively, of total promises to give.

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.

Epilepsy Foundation of Texas Notes to Financial Statements

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.

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, 2021</i>				
Equity securities				
Global equity	\$ -	\$ -	\$ 169,889	\$ 169,889
Alternative investments				
Long-short funds	-	-	63,706	63,706
Fixed income securities				
Global fixed income	-	-	62,431	62,431
Money market investments	-	-	23,581	23,581
	\$ -	\$ -	\$ 319,607	\$ 319,607

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 5: FAIR VALUE MEASUREMENTS (Continued)

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<i>December 31, 2020</i>				
Equity securities				
Global equity	\$ -	\$ -	\$ 160,334	\$ 160,334
Alternative investments				
Long-short funds	-	-	51,065	51,065
Fixed income securities				
Global fixed income	-	-	59,371	59,371
Money market investments	-	-	13,712	13,712
	\$ -	\$ -	\$ 284,482	\$ 284,482

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>	2021	2020
Balance, beginning of year	\$ 284,482	\$ 244,206
Administrative charges	(2,255)	(1,819)
Net investment income	37,380	42,095
Balance, end of year	\$ 319,607	\$ 284,482

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, 2021 and 2020, there were no outstanding borrowings on the line of credit.

Epilepsy Foundation of Texas Notes to Financial Statements

Note 7: DEBT

In May 2020 and March 2021, the Foundation received loans in the amount of \$159,690 and \$149,900, respectively, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provided for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying entity for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period in the CARES Act as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, and utilities, and maintains its payroll levels.

During 2021, both PPP loans were forgiven and the total amount of loan forgiveness is included in gain on PPP loan forgiveness in the accompanying statements of activities.

In November 2020, the Foundation received \$150,000 in loan proceeds under the Economic Injury Disaster Loan (EIDL) as established by Section 7(b) of the Small Business Act administered by the SBA to be used solely as working capital to alleviate economic injury caused by the outbreak of a novel coronavirus. Monthly installment payments, including principal and interest, of \$641 will begin in June 2023 and will be payable through October 2050, 30 years after the origination of the loan. Interest on the promissory note accrues at the rate of 2.75% per annum. The note is secured by all the assets of the Foundation.

Future minimum principal payments are as follows:

<i>Year ending December 31,</i>	
2022	\$ -
2023	2,178
2024	3,813
2025	3,916
2026	4,021
Thereafter	136,072
	\$ 150,000

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 8: NET ASSETS WITH DONOR RESTRICTIONS

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

<i>December 31,</i>	2021	2020
Subject to expenditure for specific purpose		
Camp Spike 'N' Wave	\$ -	\$ 52,500
Wacky Winter Camp	10,000	-
Various programs	5,000	30,000
United Way	10,970	4,250
	25,970	86,750
Subject to spending policy and appropriation		
Accumulated undistributed earnings on endowment funds	112,398	95,405
Perpetual-in-Nature	42,225	42,225
Total net assets with donor restrictions	\$ 180,593	\$ 224,380

Note 9: 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

Epilepsy Foundation of Texas Notes to Financial Statements

Note 9: ENDOWMENTS (Continued)

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.

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, 2021 and 2020.

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

<i>December 31,</i>	2021	2020
Board designated endowment funds	\$ 164,984	\$ 146,852
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	112,398	95,405
Total endowment funds	\$ 319,607	\$ 284,482

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 9: ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2020	\$ 126,061	\$ 118,145	\$ 244,206
Investment return			
Investment income	1,011	947	1,958
Net appreciation (realized and unrealized)	20,719	19,418	40,137
Total investment return	21,730	20,365	42,095
Other changes - fees paid	(939)	(880)	(1,819)
Endowment net assets, December 31, 2020	146,852	137,630	284,482
Investment return			
Investment income	330	309	639
Net appreciation (realized and unrealized)	18,966	17,775	36,741
Total investment return	19,296	18,084	37,380
Other changes - fees paid	(1,164)	(1,091)	(2,255)
Endowment net assets, December 31, 2021	\$ 164,984	\$ 154,623	\$ 319,607

Note 10: 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 \$580,129 and \$615,288 for the years ended December 31, 2021 and 2020, respectively. This contract ends August 31, 2022.

Epilepsy Foundation of Texas Notes to Financial Statements

Note 11: FEDERAL GOVERNMENTAL FUNDING

In April 2021, the Foundation was awarded up to \$141,650 as a sub-recipient for the first year of the 3-year Community Health Grant issued by the Centers for Disease Control and Prevention (CDC) to the University of Arizona and passed through the University of Texas Health Science Center. The grant allows the Foundation to hire three Community Health Worker (CHW) nurses for the purpose of assisting the CDC refine an epilepsy curriculum in real time through the Foundation's clinics. The Foundation is responsible for submitting allowable costs to the University of Texas Health Science Center for reimbursement.

Revenue provided under this program totaled \$84,885 for the year ended December 31, 2021.

Note 12: SPECIAL EVENTS

Support and costs of direct benefits to donors related to special events for the years ended December 31, 2021 and 2020 totaled:

	Support		Costs of Direct Benefits to Donors	
	2021	2020	2021	2020
Fundraising events				
Dinner events	\$ 522,112	\$ 234,796	\$ 97,408	\$ 21,150
Summer strolls/5K	345,367	278,566	8,474	11,581
Marathon	1,392	14,086	-	1,190
Other events	65,356	-	-	-
	\$ 934,227	\$ 527,448	\$ 105,882	\$ 33,921

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

Note 13: RELATED PARTY TRANSACTIONS

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

During 2021 and 2020, the Foundation was awarded and received \$36,349 and \$46,039, respectively. Amounts due from the national office at December 31, 2021 and 2020 was \$15,000 and \$35,000, respectively. The Foundation paid \$25,000 in fees to the national office for the year ended December 31, 2021 and \$27,017 was paid in 2020.

Epilepsy Foundation of Texas Notes to 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. The Foundation paused employer matching beginning June 2020 in response to the pandemic, but resumed matching in 2021. Foundation contributions totaled \$15,359 and \$11,683 for the years ended December 31, 2021 and 2020, respectively.

Note 15: 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>	
2022	\$ 180,237
2023	170,134
2024	169,111
2025	163,272
2026	166,964
	<hr/>
	\$ 849,718

Office rental expense totaled \$184,615 and \$163,435 for the years ended December 31, 2021 and 2020, respectively.

NOTE 16: UNCERTAINTIES

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.