



Epilepsy Foundation of Texas

FINANCIAL STATEMENTS

December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S 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, 2023 and 2022, 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, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

Auditor's 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 auditor's 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

October 24, 2024

Epilepsy Foundation of Texas Statements of Financial Position

<i>December 31,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 253,774	\$ 583,274
Grants receivable	177,665	135,376
Promises to give	61,396	25,125
Prepaid expenses	28,084	22,402
Total current assets	520,919	766,177
Operating lease right-of-use assets, net	482,836	641,807
Long-term assets		
Investments	312,353	269,662
Total assets	\$ 1,316,108	\$ 1,677,646

(Continued)

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

Epilepsy Foundation of Texas
Statements of Financial Position (Continued)

<i>December 31,</i>	2023	2022
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 66,458	\$ 51,442
Deferred revenue	3,093	2,160
Current portion notes payable	45,533	100,000
Current portion operating lease liabilities	163,826	162,428
Total current liabilities	278,910	316,030
Long-term liabilities		
Notes payable, net of current portion	153,417	150,000
Operating lease liabilities, net of current portion	325,805	489,276
Total long-term liabilities	479,222	639,276
Total liabilities	758,132	955,306
Net assets		
Without donor restrictions		
Board designated funds	161,241	139,202
Undesignated funds	199,539	429,553
Total net assets without donor restrictions	360,780	568,755
With donor restrictions		
Time and purpose restricted	154,971	111,360
Perpetual in nature	42,225	42,225
Total net assets with donor restrictions	197,196	153,585
Total net assets	557,976	722,340
Total liabilities and net assets	\$ 1,316,108	\$ 1,677,646

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, 2023</i>	Without donor restrictions	With donor restrictions	Total
Revenue and Other Support			
Public support			
Contributions	\$ 215,606	\$ 21,274	\$ 236,880
Fundraising events	940,301	-	940,301
Less: cost of direct benefits to donors	(149,064)	-	(149,064)
Foundation grants	85,000	64,730	149,730
Memorial/trusts	6,518	-	6,518
Total public support	1,098,361	86,004	1,184,365
Other revenue			
Grants from governmental agencies			
State	578,785	-	578,785
Federal	132,763	-	132,763
Program fees	540	-	540
Investment income	22,152	20,761	42,913
Interest income	4,269	937	5,206
Total other revenue	738,509	21,698	760,207
Net assets released from restrictions			
Purpose restrictions released	64,091	(64,091)	-
Total revenue and other support	1,900,961	43,611	1,944,572
Expenses			
Program services			
Children's services	167,098	-	167,098
Education services	49,144	-	49,144
Community health workers	316,694	-	316,694
Patient services	1,030,242	-	1,030,242
Total program services	1,563,178	-	1,563,178

(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, 2023</i>	Without donor restrictions	With donor restrictions	Total
Support services			
Management and general	\$ 198,371	\$ -	\$ 198,371
Fundraising	347,387	-	347,387
Total support services	545,758	-	545,758
Total expenses	2,108,936	-	2,108,936
Changes in net assets	(207,975)	43,611	(164,364)
Net assets at beginning of year	568,755	153,585	722,340
Net assets at end of year	\$ 360,780	\$ 197,196	\$ 557,976

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, 2022</i>	Without donor restrictions	With donor restrictions	Total
Revenue and Other Support			
Public Support			
Contributions	\$ 120,231	\$ 46,346	\$ 166,577
Fundraising events	860,682	-	860,682
Less: cost of direct benefits to donors	(119,240)	-	(119,240)
Corporate grants	-	86,000	86,000
Foundation grants	26,000	30,700	56,700
Memorial/trusts	11,685	-	11,685
Total public support	899,358	163,046	1,062,404
Other revenue			
Grants from governmental agencies			
State	580,129	-	580,129
Federal	135,707	-	135,707
Program fees	864	-	864
Investment loss	(25,737)	(24,121)	(49,858)
Interest income	1,413	988	2,401
Total other revenue	692,376	(23,133)	669,243
Net assets released from restrictions			
Timing restrictions released	700	(700)	-
Purpose restrictions released	166,221	(166,221)	-
Total revenue and other support	1,758,655	(27,008)	1,731,647
Expenses			
Program services			
Children's services	326,783	-	326,783
Education services	252,288	-	252,288
Community health care workers	329,678	-	329,678
Patient services	749,681	-	749,681
Total program services	1,658,430	-	1,658,430

(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, 2022</i>	Without donor restrictions	With donor restrictions	Total
Support services			
Management and general	\$ 189,542	\$ -	\$ 189,542
Fundraising	538,145	-	538,145
Total support services	727,687	-	727,687
Total expenses	2,386,117	-	2,386,117
Changes in net assets	(627,462)	(27,008)	(654,470)
Net assets at beginning of year	1,196,217	180,593	1,376,810
Net assets at end of year	\$ 568,755	\$ 153,585	\$ 722,340

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

Epilepsy Foundation of Texas Statement of Functional Expenses

	Program Services					Supporting Services			Subtotal	Total
	Children's Services	Education Services	Community Health Workers	Patient Services		Management and General	Fundraising			
For the year ended December 31, 2023					Subtotal					
Foundation expenses										
Salaries	\$ 25,228	\$ 22,284	\$ 94,369	\$ 202,093	\$ 343,974	\$ 101,780	\$ 94,456	\$ 196,236	\$	540,210
Benefits and payroll expenses	4,748	4,194	17,761	38,035	64,738	19,156	17,777	36,933	\$	101,671
Total salaries and related expenses	29,976	26,478	112,130	240,128	408,712	120,936	112,233	233,169		641,881
Advocacy	128	113	480	1,027	1,748	518	480	998		2,746
Conferences, convention and meetings	1,052	929	3,933	8,424	14,338	4,242	3,937	8,179		22,517
Contract labor	1,242	1,097	4,645	9,947	16,931	5,008	4,649	9,657		26,588
Dues, subscriptions and advertising	2,771	2,448	10,367	22,200	37,786	11,181	10,376	21,557		59,343
Fundraising expenses	-	-	-	-	-	-	312,352	312,352		312,352
Insurance	1,397	1,234	5,224	11,188	19,043	5,634	5,229	10,863		29,906
Office rent	4,945	4,368	18,499	39,615	67,427	19,952	18,516	38,468		105,895
Office supplies	532	470	1,989	4,260	7,251	2,144	1,991	4,135		11,386
Postage and shipping	133	118	498	1,066	1,815	537	498	1,035		2,850
Printing and publications	345	305	1,290	2,762	4,702	1,389	1,291	2,680		7,382
Professional fees	1,322	1,168	4,946	10,592	18,028	5,334	4,950	10,284		28,312
Program activities	117,928	5,710	-	-	123,638	-	-	-		123,638
Rental, repairs and maintenance	1,004	887	3,757	8,045	13,693	4,051	3,760	7,811		21,504
Service charges	2,438	2,154	9,120	19,531	33,243	9,837	9,129	18,966		52,209
Telephone	1,167	1,031	4,367	9,351	15,916	4,710	4,371	9,081		24,997
Travel	718	634	2,687	5,754	9,793	2,898	2,689	5,587		15,380
Total Foundation expenses	167,098	49,144	183,932	393,890	794,064	198,371	496,451	694,822		1,488,886
Grant expenses										
Salaries	-	-	117,633	292,877	410,510	-	-	-		410,510
Benefits and payroll expenses	-	-	-	70,761	70,761	-	-	-		70,761
Total salaries and related expenses	-	-	117,633	363,638	481,271	-	-	-		481,271
Miscellaneous expenses	-	-	-	32,881	32,881	-	-	-		32,881
Office rent	-	-	-	56,676	56,676	-	-	-		56,676
Office supplies	-	-	3,985	2,360	6,345	-	-	-		6,345
Patient services	-	-	1,250	151,357	152,607	-	-	-		152,607
Postage and shipping	-	-	-	12,029	12,029	-	-	-		12,029
Printing and publications	-	-	761	699	1,460	-	-	-		1,460
Rental, repairs and maintenance	-	-	1,069	-	1,069	-	-	-		1,069
Telephone	-	-	-	11,227	11,227	-	-	-		11,227
Travel	-	-	8,064	5,485	13,549	-	-	-		13,549
Total grant expenses	-	-	132,762	636,352	769,114	-	-	-		769,114
Total expenses	167,098	49,144	316,694	1,030,242	1,563,178	198,371	496,451	694,822		2,258,000
Less: cost of direct benefits to donors	-	-	-	-	-	-	(149,064)	(149,064)		(149,064)
Total functional expenses	\$ 167,098	\$ 49,144	\$ 316,694	\$ 1,030,242	\$ 1,563,178	\$ 198,371	\$ 347,387	\$ 545,758	\$	2,108,936

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

Epilepsy Foundation of Texas Statement of Functional Expenses

For the year ended December 31, 2022	Program Services					Supporting Services				
	Children's Services	Education Services	Community Health Workers	Patient Services	Subtotal	Management and General	Fundraising	Subtotal	Total	
Foundation expenses										
Salaries	\$ 37,307	\$ 62,162	\$ 100,906	\$ 50,632	\$ 251,007	\$ 98,602	\$ 192,488	\$ 291,090	\$ 542,097	
Benefits and payroll expenses	7,531	12,548	20,368	10,220	50,667	19,903	38,854	58,757	109,424	
Total salaries and related expenses	44,838	74,710	121,274	60,852	301,674	118,505	231,342	349,847	651,521	
Conferences, convention and meetings	578	963	1,563	784	3,888	1,527	2,981	4,508	8,396	
Contract labor	2,706	4,509	7,319	3,672	18,206	7,152	13,962	21,114	39,320	
Dues, subscriptions and advertising	1,872	3,119	5,063	2,541	12,595	4,948	9,659	14,607	27,202	
Fundraising expenses	-	-	-	-	-	-	287,367	287,367	287,367	
Insurance	1,916	3,192	5,182	2,600	12,890	5,063	9,884	14,947	27,837	
Office rent	6,864	11,437	18,565	9,315	46,181	18,141	35,414	53,555	99,736	
Office supplies	1,044	1,739	2,823	1,417	7,023	2,759	5,385	8,144	15,167	
Postage and shipping	250	416	676	339	1,681	660	1,289	1,949	3,630	
Printing and publications	331	552	896	450	2,229	876	1,710	2,586	4,815	
Professional fees	2,755	4,590	7,451	3,739	18,535	7,281	14,214	21,495	40,030	
Program activities	255,066	132,793	-	116	387,975	-	-	-	387,975	
Rental, repairs and maintenance	2,601	4,334	7,035	3,530	17,500	6,874	13,420	20,294	37,794	
Service charges	3,153	5,254	8,529	4,279	21,215	8,334	16,268	24,602	45,817	
Telephone	1,510	2,516	4,083	2,049	10,158	3,990	7,789	11,779	21,937	
Travel	1,299	2,164	3,513	1,763	8,739	3,432	6,701	10,133	18,872	
Total Foundation expenses	326,783	252,288	193,972	97,446	870,489	189,542	657,385	846,927	1,717,416	
Grant expenses										
Salaries	-	-	117,669	279,604	397,273	-	-	-	397,273	
Benefits and payroll expenses	-	-	-	60,225	60,225	-	-	-	60,225	
Total salaries and related expenses	-	-	117,669	339,829	457,498	-	-	-	457,498	
Miscellaneous expenses	-	-	-	26,241	26,241	-	-	-	26,241	
Office rent	-	-	-	59,226	59,226	-	-	-	59,226	
Office supplies	-	-	3,946	3,102	7,048	-	-	-	7,048	
Patient services	-	-	-	165,995	165,995	-	-	-	165,995	
Postage and shipping	-	-	-	34,670	34,670	-	-	-	34,670	
Printing and publications	-	-	1,208	2,592	3,800	-	-	-	3,800	
Rental, repairs and maintenance	-	-	2,160	-	2,160	-	-	-	2,160	
Telephone	-	-	-	12,414	12,414	-	-	-	12,414	
Travel	-	-	10,723	8,166	18,889	-	-	-	18,889	
Total grant expenses	-	-	135,706	652,235	787,941	-	-	-	787,941	
Total expenses	326,783	252,288	329,678	749,681	1,658,430	189,542	657,385	846,927	2,505,357	
Less: cost of direct benefits to donors	-	-	-	-	-	-	(119,240)	(119,240)	(119,240)	
Total functional expenses	\$ 326,783	\$ 252,288	\$ 329,678	\$ 749,681	\$ 1,658,430	\$ 189,542	\$ 538,145	\$ 727,687	\$ 2,386,117	

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>	2023	2022
Operating activities		
Changes in net assets	\$ (164,364)	\$ (654,470)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses on investments	(42,913)	49,858
Amortization of operating lease right-of-use assets	158,971	158,142
Changes in operating assets and liabilities		
Grants receivable	(42,289)	51,059
Promises to give	(36,271)	78,096
Prepaid expenses	(5,682)	(743)
Accounts payable and accrued liabilities	15,016	(7,298)
Deferred revenue	933	(1,242)
Operating lease liabilities	(162,073)	(171,076)
Net cash used in operating activities	(278,672)	(497,674)
Investing activities		
Proceeds from sales of investments	2,159	2,129
Purchase of investments	(1,937)	(2,042)
Net cash provided by investing activities	222	87
Financing activities		
Proceeds from note payable	-	100,000
Payments on note payable	(51,050)	-
Net cash provided by (used in) financing activities	(51,050)	100,000
Net change in cash and cash equivalents	(329,500)	(397,587)
Cash and cash equivalents at beginning of year	583,274	980,861
Cash and cash equivalents at end of year	\$ 253,774	\$ 583,274

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 11). The Foundation, with offices in Houston, Dallas, Amarillo and Lubbock, is supported primarily through donor contributions, special events and corporate, state and foundation grants.

Program Services

The Foundation's program services consist of the following:

Children's services – The Foundation provides multiple youth camps that involve physical exercise, nature, and team-building for children and teens living with Epilepsy.

Education services – The Foundation provides education and outreach to individuals living with Epilepsy as well as others who support individuals living with Epilepsy.

Community health workers – The Foundation connects people with epilepsy, and their families, to resources and assistance programs that they may need.

Patient services – The Foundation operates eight clinics across Texas and provide comprehensive medical care, including diagnostic testing and prescription assistance.

Note 2: SUMMARY OF 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. Estimates that are particularly susceptible to significant change in the near term are related to the allocation of functional expenses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023 and 2022 to be collectible and are expected to be collected within the next twelve months. Therefore no allowance was considered necessary for those receivables.

Fair Value Considerations

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.

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, 2023 and 2022.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Leases

The Foundation leases office space and equipment. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Foundation has elected as a practical expedient, for all classes of assets, to use a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions.

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, 2023 and 2022 totaled \$149,064 and \$119,240, respectively.

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.

A significant portion of the Foundation's grants and contracts are from government agencies. The benefits received by the public as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of Nonfinancial Assets

The Foundation's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Foundation. If an asset is donated that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. Donated services and materials are recognized at their estimated fair values at the date of receipt, if an objective basis is available to measure the value of such services and materials. The related expense is recognized as the item donated is used. Contributed services are recorded if the services received create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial 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 value of the contributed time is not reflected in these statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

Functional Allocation of Expenses

Directly identifiable expenses for 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 utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023 and 2022, the Foundation has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 24, 2024. See Notes 11 and 16 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022, beginning of the year of adoption, a lease liability of \$822,780, which represents the present value of the remaining operating lease payments of \$850,182, discounted using the risk free rate, and a right-of-use asset of \$799,949, which represents the operating lease liability of \$822,780 adjusted for deferred rent of \$22,831.

The standard had a material impact on the Foundation's statements of financial position, but did not have an impact on the statements of activities, functional expenses, or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

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 7). 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.

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>	2023	2022
Total assets at year end	\$ 1,316,108	\$ 1,677,646
Less non-financial assets		
Prepaid expenses and other assets	(28,084)	(22,402)
Operating lease right-of-use assets, net	(482,836)	(641,807)
Financial assets at year-end	805,188	1,013,437
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(197,196)	(153,585)
Board designations	(161,241)	(139,202)
Financial assets available to meet cash needs for general expenditures within one year	\$ 446,751	\$ 720,650

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, 2023, two grantors accounted for 51% of grants receivable. As of December 31, 2022, two grantors accounted for 84% of grants receivable.

Note 4: CONCENTRATION OF CREDIT RISK (Continued)

As of December 31, 2023, three donors accounted for 62%, 12% and 11%, respectively, of total promises to give. As of December 31, 2022, two donors accounted for 80% and 22%, respectively, of total promises to give.

Note 5: INVESTMENTS AND 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.

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: INVESTMENTS AND 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, 2023</i>				
Equity securities				
Global equity	\$ -	\$ -	\$ 182,229	\$ 182,229
Alternative investments				
Long-short funds	-	-	23,122	23,122
Fixed income securities	-	-	51,024	51,024
Opportunistic Credit				
Global fixed income	-	-	35,130	35,130
Money market investments	-	-	20,848	20,848
	\$ -	\$ -	\$ 312,353	\$ 312,353

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<i>December 31, 2022</i>				
Equity securities				
Global equity	\$ -	\$ -	\$ 159,130	\$ 159,130
Alternative investments				
Long-short funds	-	-	29,093	29,093
Fixed income securities				
Global fixed income	-	-	70,391	70,391
Money market investments	-	-	11,048	11,048
	\$ -	\$ -	\$ 269,662	\$ 269,662

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>	2023	2022
Balance, beginning of year	\$ 269,662	\$ 319,607
Administrative charges	(2,156)	(2,128)
Net investment income (loss)	44,847	(47,817)
Balance, end of year	\$ 312,353	\$ 269,662

Note 6: LEASES

The Foundation has operating leases for office space and equipment. The leases have remaining lease terms of 1 to 4 years, some of which may include options to extend the leases, and some of which may include options to terminate the leases.

The components of lease expense consist of the following:

<i>For the years ended December 31,</i>	2023	2022
Operating lease cost	\$ 180,969	\$ 167,300

Other information related to leases was as follows:

<i>For the years ended December 31,</i>	2023	2022
Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 170,347	\$ 180,234

Weighted average remaining lease term and discount rates consist of the following:

<i>For the years ended December 31,</i>	2023	2022
Weighted average remaining lease term		
Operating leases	2.97 years	3.97 years
Weighted average discount rate		
Operating leases	1.37%	1.37%

Future minimum lease payments under non-cancellable leases as of December 31, 2023, were as follows:

<i>For the years ending December 31,</i>	Operating Leases
2024	\$ 169,108
2025	163,529
2026	167,319
Total future minimum lease payments	499,956
Less imputed interest	(10,325)
Present value of lease liabilities	\$ 489,631

Epilepsy Foundation of Texas Notes to Financial Statements

Note 6: LEASES (Continued)

Reported as of December 31, 2023

Operating lease liabilities, current	\$ 163,826
Operating lease liabilities, noncurrent	325,805
Total	<u>\$ 489,631</u>

Note 7: 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, 2023 and 2022, there were no outstanding borrowings on the line of credit.

Note 8: DEBT

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 began 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. The balance of the EIDL loan, including accrued interest, as of December 31, 2023 and 2022 totaled \$156,950 and \$150,000, respectively.

During 2022, the Foundation received funds from a bequest totaling \$100,000 that was determined to belong to the National Epilepsy Foundation. In April 2023, the Foundation entered into an unsecured note payable to pay these funds to the National Epilepsy Foundation at various amounts over 15 months, commencing April 2023. No interest is accrued on this note. The balance of this loan as of December 31, 2023 and 2022 totaled \$42,000 and \$100,000, respectively.

Future minimum principal payments are as follows:

<i>Year ending December 31,</i>	
2024	\$ 45,533
2025	3,627
2026	3,725
2027	3,825
2028	3,928
Thereafter	138,312
	<u>\$ 198,950</u>

Note 9: NET ASSETS WITH DONOR RESTRICTIONS

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

<i>December 31,</i>	2023	2022
Subject to expenditure for specific purpose		
Camp Spike 'N' Wave	\$ 25,000	\$ 20,000
Various programs	8,281	-
United Way	12,800	3,125
	46,081	23,125
Subject to spending policy and appropriation		
Accumulated undistributed earnings on endowment funds	108,890	88,235
Perpetual-in-nature	42,225	42,225
Total net assets with donor restrictions	\$ 197,196	\$ 153,585

Note 10: 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

Note 10: ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

The Epilepsy Foundation of Texas's Carlisle Norwood Endowment (Endowment) and Board Designated Endowment are held 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, 2023 and 2022.

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

<i>December 31,</i>	2023	2022
Board designated endowment funds	\$ 161,241	\$ 139,202
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	108,890	88,235
Total endowment funds	\$ 312,356	\$ 269,662

Epilepsy Foundation of Texas
Notes to Financial Statements

Note 10: ENDOWMENTS (Continued)

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2022	\$ 164,984	\$ 154,623	\$ 319,607
Investment return			
Investment income	1,054	988	2,042
Net depreciation (realized and unrealized)	(25,738)	(24,121)	(49,859)
Total investment return	(24,684)	(23,133)	(47,817)
Other changes - fees paid	(1,098)	(1,030)	(2,128)
Endowment net assets, December 31, 2022	139,202	130,460	269,662
Investment return			
Investment income	1,000	937	1,937
Net appreciation (realized and unrealized)	22,152	20,761	42,913
Total investment return	23,152	21,698	44,850
Other changes - fees paid	(1,113)	(1,043)	(2,156)
Endowment net assets, December 31, 2023	\$ 161,241	\$ 151,115	\$ 312,356

Note 11: STATE GOVERNMENTAL FUNDING (TEXAS)

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 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 \$578,785 and \$580,129 for the years ended December 31, 2023 and 2022, respectively. This contract ends August 31, 2024. Subsequent to December 31, 2023, the program was extended through August 31, 2025.

Epilepsy Foundation of Texas Notes to Financial Statements

Note 12: FEDERAL GOVERNMENTAL FUNDING

In 2021, the Foundation was awarded a 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 \$132,763 and \$135,707 for the years ended December 31, 2023 and 2022, respectively.

Note 13: SPECIAL EVENTS

Support and costs of direct benefits to donors related to special events for the years ended December 31, 2023 and 2022 totaled:

	Support		Costs of Direct Benefits to Donors	
	2023	2022	2023	2022
Fundraising events				
Dinner events	\$ 571,197	\$ 414,178	\$ 89,565	\$ 105,849
Summer strolls/5K	365,980	401,451	59,499	13,391
Marathon	4,124	8,556	-	-
Other events	(1,000)	36,497	-	-
	<u>\$ 940,301</u>	<u>\$ 860,682</u>	<u>\$ 149,064</u>	<u>\$ 119,240</u>

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

Note 14: RELATED PARTY TRANSACTIONS

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

During 2023 and 2022, the Foundation was awarded and received \$0 and \$31,700, respectively. No amounts were due from the national office at December 31, 2023 and 2022. The Foundation paid \$25,000 in fees to the national office for each of the years ended December 31, 2023 and 2022.

Note 15: 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 \$22,614 and \$19,454 for the years ended December 31, 2023 and 2022, respectively.

Note 16: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2023 through October 24, 2024, the date the Foundation's financial statements were available to be issued.

In March 2024, the Foundation was notified it was the recipient of a \$2 million private foundation grant and received the grant proceeds in the same month.