

Citizens United for Research in Epilepsy

Audited Financial Statements

*Years ended December 31, 2013 and 2012
with Report of Independent Auditors*

Citizens United for Research in Epilepsy

Audited Financial Statements

Years ended December 31, 2013 and 2012

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Report of Independent Auditors

Board of Directors
Citizens United for Research in Epilepsy
Chicago, Illinois

We have audited the accompanying financial statements of Citizens United for Research in Epilepsy (CURE) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens United for Research in Epilepsy as of December 31, 2013 and 2012, 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.

Johnson Lambert LLP

Arlington Heights, Illinois
March 11, 2014

Citizens United for Research in Epilepsy

**Statements of Financial Position
December 31,**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Assets</u>						
Cash and cash equivalents	\$ 2,930,436	\$ -	\$ 2,930,436	\$ 4,888,350	\$ 350,000	\$ 5,238,350
Investments	6,853,344	-	6,853,344	5,612,360	-	5,612,360
Grants and accounts receivable	279,039	250,000	529,039	220,880	166,666	387,546
Prepaid expenses and other assets	78,673	-	78,673	47,147	-	47,147
Fixed assets, at cost less accumulated depreciation of \$18,327 in 2013 and \$12,257 in 2012	<u>25,616</u>	<u>-</u>	<u>25,616</u>	<u>23,188</u>	<u>-</u>	<u>23,188</u>
Total Assets	<u>\$ 10,167,108</u>	<u>\$ 250,000</u>	<u>\$ 10,417,108</u>	<u>\$ 10,791,925</u>	<u>\$ 516,666</u>	<u>\$ 11,308,591</u>
<u>Liabilities and Net Assets</u>						
Liabilities						
Accounts payable and accrued expenses	\$ 74,605	\$ -	\$ 74,605	\$ 102,467	\$ -	\$ 102,467
Grants payable	<u>1,953,495</u>	<u>-</u>	<u>1,953,495</u>	<u>3,016,042</u>	<u>-</u>	<u>3,016,042</u>
Total Liabilities	2,028,100	-	2,028,100	3,118,509	-	3,118,509
Net Assets	<u>8,139,008</u>	<u>250,000</u>	<u>8,389,008</u>	<u>7,673,416</u>	<u>516,666</u>	<u>8,190,082</u>
Total Liabilities and Net Assets	<u>\$ 10,167,108</u>	<u>\$ 250,000</u>	<u>\$ 10,417,108</u>	<u>\$ 10,791,925</u>	<u>\$ 516,666</u>	<u>\$ 11,308,591</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statements of Activities and Changes in Net Assets Years ended December 31,

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions						
Foundations	\$ 869,970	\$ 250,000	\$ 1,119,970	\$ 604,554	\$ 100,000	\$ 704,554
Corporate	133,306	-	133,306	79,412	-	79,412
Individuals	503,889	-	503,889	279,032	-	279,032
In-kind	40,000	-	40,000	40,000	-	40,000
Special events:						
Proceeds	2,928,510	-	2,928,510	4,537,617	-	4,537,617
Expenses	(427,374)	-	(427,374)	(551,509)	-	(551,509)
Net special events	2,501,136	-	2,501,136	3,986,108	-	3,986,108
Investment income	186,840	-	186,840	150,303	-	150,303
Other	5,293	-	5,293	5,417	-	5,417
Net assets released from restriction	516,666	(516,666)	-	716,667	(716,667)	-
Total support and revenue	<u>4,757,100</u>	<u>(266,666)</u>	<u>4,490,434</u>	<u>5,861,493</u>	<u>(616,667)</u>	<u>5,244,826</u>
Expenses						
Program services	3,857,121	-	3,857,121	4,189,960	-	4,189,960
General administration	224,593	-	224,593	179,909	-	179,909
Fundraising	308,309	-	308,309	304,291	-	304,291
Total expenses	<u>4,390,023</u>	<u>-</u>	<u>4,390,023</u>	<u>4,674,160</u>	<u>-</u>	<u>4,674,160</u>
Increase in net assets from operations	367,077	(266,666)	100,411	1,187,333	(616,667)	570,666
Change in fair value of investments	98,515	-	98,515	313,669	-	313,669
Increase in net assets	465,592	(266,666)	198,926	1,501,002	(616,667)	884,335
Net assets, beginning of year	<u>7,673,416</u>	<u>516,666</u>	<u>8,190,082</u>	<u>6,172,414</u>	<u>1,133,333</u>	<u>7,305,747</u>
Net assets, end of year	<u>\$ 8,139,008</u>	<u>\$ 250,000</u>	<u>\$ 8,389,008</u>	<u>\$ 7,673,416</u>	<u>\$ 516,666</u>	<u>\$ 8,190,082</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses Year ended December 31, 2013

	Program Services				General		
	Research	Awareness	Other programs	Total	Administration	Fundraising	Total
Grants	\$ 2,735,359	\$ -	\$ -	\$ 2,735,359	\$ -	\$ -	\$ 2,735,359
Salaries and wages	191,550	265,857	-	457,407	87,912	188,430	733,749
Payroll taxes	13,748	19,185	-	32,933	6,251	13,634	52,818
Employee benefits	21,061	27,112	-	48,173	12,062	18,671	78,906
Contractual services	528	738	-	1,266	2,675	525	4,466
Legal, audit and accounting	99,544	11,762	-	111,306	12,700	20,821	144,827
Insurance	1,491	1,798	-	3,289	1,310	1,482	6,081
Printing and publications	2,158	40,362	-	42,520	1,543	3,937	48,000
Postage	1,157	18,484	395	20,036	1,823	1,226	23,085
Occupancy	13,856	17,253	-	31,109	5,985	11,854	48,948
Telephone	3,617	5,509	-	9,126	1,671	3,592	14,389
Computer and internet	12,525	20,610	-	33,135	1,675	21,583	56,393
Supplies	962	1,062	500	2,524	19,380	239	22,143
Travel, meetings and related	5,672	8,017	67,991	81,680	16,355	5,029	103,064
Conferences	-	324	66,945	67,269	-	-	67,269
Awareness publicity	-	84,117	-	84,117	-	-	84,117
Bank charges	-	-	-	-	42,694	-	42,694
Equipment purchase, rental, and service	-	-	-	-	-	16,107	16,107
Fees and service payments	-	6,594	-	6,594	329	-	6,923
Repairs & maintenance	-	-	-	-	2,728	-	2,728
Web design and maintenance	-	28,125	-	28,125	-	-	28,125
Dues and subscriptions	2,960	-	-	2,960	904	-	3,864
Depreciation	-	-	-	-	6,070	-	6,070
Utilities	1,187	1,658	-	2,845	526	1,179	4,550
Other expenses	55,348	-	-	55,348	-	-	55,348
Total Expenses	<u>\$ 3,162,723</u>	<u>\$ 558,567</u>	<u>\$ 135,831</u>	<u>\$ 3,857,121</u>	<u>\$ 224,593</u>	<u>\$ 308,309</u>	<u>\$ 4,390,023</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses Year ended December 31, 2012

	Program Services				General		
	Research	Awareness	Other programs	Total	Administration	Fundraising	Total
Grants	\$ 3,291,152	\$ -	\$ -	\$ 3,291,152	\$ -	\$ -	\$ 3,291,152
Salaries and wages	128,162	206,173	-	334,335	67,061	156,023	557,419
Payroll taxes	10,052	16,171	-	26,223	5,445	12,237	43,905
Employee benefits	14,494	23,316	-	37,810	12,661	17,644	68,115
Contractual services	369	594	-	963	10,725	449	12,137
Legal, audit and accounting	60,343	38,148	-	98,491	7,500	41,995	147,986
Insurance	1,289	1,686	-	2,975	1,046	1,431	5,452
Printing and publications	1,415	3,194	500	5,109	1,307	3,237	9,653
Postage	653	1,101	977	2,731	3,081	1,308	7,120
Occupancy	9,323	15,178	-	24,501	5,018	11,502	41,021
Telephone	2,810	4,531	-	7,341	1,469	3,435	12,245
Computer and internet	18,072	26,802	-	44,874	535	30,872	76,281
Supplies	595	1,038	-	1,633	5,137	623	7,393
Travel, meetings and related	28,300	4,680	33,959	66,939	14,953	2,163	84,055
Conferences	836	4,243	118,595	123,674	-	1,056	124,730
Awareness publicity	-	87,177	-	87,177	-	-	87,177
Bank charges	-	-	-	-	34,614	-	34,614
Equipment purchase, rental, and service	451	-	-	451	-	18,558	19,009
Fees and service payments	-	7,103	-	7,103	28	-	7,131
Repairs and maintenance	-	-	-	-	2,299	-	2,299
Web design and maintenance	-	17,540	-	17,540	-	-	17,540
Dues and subscriptions	2,554	-	-	2,554	1,562	314	4,430
Depreciation	-	-	-	-	4,850	-	4,850
Utilities	1,181	1,905	-	3,086	618	1,444	5,148
Other expenses	3,288	10	-	3,298	-	-	3,298
Total expenses	<u>\$ 3,575,339</u>	<u>\$ 460,590</u>	<u>\$ 154,031</u>	<u>\$ 4,189,960</u>	<u>\$ 179,909</u>	<u>\$ 304,291</u>	<u>\$ 4,674,160</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy
Statements of Cash Flows

	Years ended December 31,	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 198,926	\$ 884,335
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,070	4,850
Realized gain on sale of investments	(178,174)	(8,879)
Donated stock	-	(60,327)
Change in fair value of investments	79,659	(304,790)
Changes in operating assets and liabilities		
Grants and accounts receivable	(141,493)	618,746
Prepaid expenses and other assets	(31,526)	(13,240)
Accounts payable and accrued expenses	(27,862)	55,747
Grants payable	<u>(1,062,547)</u>	<u>1,189,703</u>
Net cash (used in) provided by operating activities	<u>(1,156,947)</u>	<u>2,366,145</u>
Cash flows from investing activities		
Purchase of fixed assets	(8,498)	(7,323)
Proceeds from sale of investments	3,713,951	198,394
Purchases of investments	<u>(4,856,420)</u>	<u>(272,650)</u>
Net cash used in investing activities	<u>(1,150,967)</u>	<u>(81,579)</u>
Change in cash and cash equivalents	(2,307,914)	2,284,566
Cash and cash equivalents, beginning of year	<u>5,238,350</u>	<u>2,953,784</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,930,436</u></u>	<u><u>\$ 5,238,350</u></u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy
Notes to the Financial Statements

Years ended December 31, 2013 and 2012

Note A - Nature of Activities

Citizens United for Research in Epilepsy (CURE) was incorporated in September 1998, as an Illinois not-for-profit corporation. CURE is organized exclusively to stimulate and support medical and scientific research, education, and knowledge in the field of epilepsy and related seizure disorders with the overall objective of finding a cure for such disorders. CURE provides grant funding for research in epilepsy.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, net assets of CURE and changes therein are classified and reported as follows:

Unrestricted net assets- Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets- Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CURE and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restriction.

Permanently restricted net assets- Net assets subject to donor-imposed stipulations that they be maintained permanently by CURE. There are no permanently restricted net assets as of December 31, 2013 and 2012.

Subsequent Events

CURE has performed an evaluation of subsequent events through March 11, 2014, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

CURE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has concluded that CURE has properly maintained its exempt status. The previous three tax years are subject to examination by federal authorities, there are currently no examinations being conducted.

Citizens United for Research in Epilepsy
Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

CURE considers money market funds to be cash equivalents, with the exception of the cash that is included in the investment portfolio, which is designated for long-term investment purposes. Throughout the year, CURE may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limits. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

Contributions

Contributions, including unconditional promises to give, and grants are recorded when received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using adjusted risk-free interest rates applicable to the years in which the promises were received.

Special Events

CURE conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to CURE. The direct costs of the special events, which ultimately benefit the donor rather than CURE, are recorded as exchange transaction revenue and exchange transaction expense. All proceeds received in excess of the direct costs are recorded as special events support in the accompanying statements of activities and changes in net assets.

Grants and Accounts Receivable

Grants and accounts receivable represent unconditional promises to give by donors. Grants and accounts receivable are expected to be collected during the next fiscal year and are recorded at net realizable value. CURE does not maintain an allowance for doubtful accounts for these receivables, however, management does monitor and estimate the amount of any uncollectible balances throughout the year. Management records adjustments as necessary to bad debt expense for uncollectible accounts receivable. These adjustments are reflected in the statements of activities and changes in net assets in the period written off. For the years ended December 31, 2013 and 2012 no amounts have been recorded as bad debt expense.

Citizens United for Research in Epilepsy
Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Fixed Assets

Furniture, fixtures and equipment expenditures of \$500 or more are recorded at cost or at estimated fair value, if donated, at the date of the gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, fixtures and office equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long donated assets must be maintained, CURE reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CURE reclassifies temporarily restricted net assets to unrestricted net assets at that time.

CURE depreciates furniture, fixture and equipment over their estimated useful lives (five years for equipment, seven years for furniture, and the lease term for leasehold improvements) using the straight-line method.

Investments and Fair Value Measurement

CURE carries its investments at fair value and reports gains and losses in the statements of activities and changes in net assets. The fair value of investments are based on quoted market prices at the reporting date.

CURE invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the statements of financial position.

In accordance with GAAP, CURE prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that CURE has the ability to access.

Level 2: Inputs to the valuation methodology include 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 for the asset or liability for substantially the entire period and market-corroborated inputs.

Level 3: Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Citizens United for Research in Epilepsy
Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Grants Payable

Grant funds are expended only for project purposes and activities that are approved by CURE's board of directors. Commitments of grant funds were incurred during the grant period, as defined by the beginning and end dates of the agreements. Grants payable is recorded on an annual basis upon notification to the recipient at the time of approval or renewal.

Donated Services and Materials

Donated services and materials are reported as contribution revenue and as assets and expenses only if services and materials create or enhance a nonfinancial asset, require specialized skills and are provided by individuals possessing those skills, are measurable, and would have been purchased if they had not been contributed. Donated services and materials are measured at fair value.

Functional Allocation of Expenses

CURE allocates its expenses to the separate functional categories of program services and supporting services based on the number of employees associated with the conduct of each function.

Note C - Investments and Fair Value Measurement

The components of CURE's investments consist of the following at December 31:

	2013	2012
Bond mutual funds	\$ 2,707,187	\$ 4,011,316
Equity mutual funds	1,452,806	1,308,112
Equities	292,861	283,193
Money market funds	2,400,490	9,739
Total investments	<u>\$ 6,853,344</u>	<u>\$ 5,612,360</u>

At December 31, 2013 and 2012, CURE's investments in mutual funds and equity securities are measured at fair value based on quoted market prices for identical assets in actively traded markets (Level 1). Money market funds do not meet the definition of securities under accounting standards and accordingly are not subject to the fair value measurement disclosure.

The following summarizes the investment return and its classification in the statements of activities and changes in net assets as of December 31:

	2013	2012
Interest and dividends	\$ 186,840	\$ 150,303
Realized gains	178,174	8,879
Change in fair value of investments	<u>(79,659)</u>	<u>304,790</u>
	<u>\$ 285,355</u>	<u>\$ 463,972</u>

Citizens United for Research in Epilepsy
Notes to the Financial Statements (Continued)

Note D - Grants and Accounts Receivable

Receivables at December 31 consist of the following:

	2013	2012
Accounts receivable	\$ 279,039	\$ 220,880
Grants receivable- due in one year	250,000	166,666
Total grants and accounts receivable	<u>\$ 529,039</u>	<u>\$ 387,546</u>

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	2013	2012
Future operations	\$ 250,000	\$ 416,666
Purpose restriction	-	100,000
Total temporarily restricted net assets	<u>\$ 250,000</u>	<u>\$ 516,666</u>

Net assets are released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Amounts released from restriction at December 31, 2013 and 2012 satisfied the related time restrictions.

Note F - Pension Plan

CURE sponsors a 403b tax deferred annuity retirement plan which covers substantially all full-time employees. Eligible employees are allowed to participate in the plan by making tax-deferred contributions up to the IRS determined legal limits of the plan. Pension expense for the years ended December 31, 2013 and 2012 was \$10,126 and \$12,609, respectively.

Note G - Commitments

Effective October 1, 2013, CURE entered into a lease agreement for office space that expires on November 31, 2018. Future minimum lease payments are as follows:

Fiscal Years Ending December 31,	Minimum Lease Payments
2014	\$ 67,061
2015	69,073
2016	71,145
2017	73,280
2018	69,048
	<u>\$ 349,607</u>

Note H - Related Party Transactions

The statements of financial position include \$250,000 and \$0 in outstanding pledges as of December 31, 2013 and 2012, respectively from member's of CURE's Board of Directors.