JOHNSON LAMBERT LLP

Citizens United for Research in Epilepsy

Audited Financial Statements

Years ended December 31, 2014 and 2013
with Report of Independent Auditors

Citizens United for Research in Epilepsy

Audited Financial Statements

Years ended December 31, 2014 and 2013

Contents

JOHNSON LAMBERT LLP

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, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2014 and 2013, 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 16, 2015

Citizens United for Research in Epilepsy

Statements of Financial Position
December 31,

	2014			2013		
Assets	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Cash and cash equivalents	$ 2,003,819	$ 350,000	$ 2,353,819	$ 2,930,436	$ -	$ 2,930,436
Investments	7,011,355	-	7,011,355	6,853,344	-	6,853,344
Contributions and grants receivable	78,086	420,000	498,086	279,039	250,000	529,039
Prepaid expenses and other assets	59,266	-	59,266	78,673	-	78,673
Fixed assets, at cost less accumulated depreciation of $13,858 in 2014 and $18,327 in 2013	45,338	-	45,338	25,616	-	25,616
Total Assets	$ 9,197,864	$ 770,000	$ 9,967,864	$ 10,167,108	$ 250,000	$ 10,417,108
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	$ 132,851	$ -	$ 132,851	$ 74,605	$ -	$ 74,605
Grants payable	2,819,948	-	2,819,948	1,953,495	-	1,953,495
Total Liabilities	2,952,799	-	2,952,799	2,028,100	-	2,028,100
Net Assets	6,245,065	770,000	7,015,065	8,139,008	250,000	8,389,008
Total Liabilities and Net Assets	$ 9,197,864	$ 770,000	$ 9,967,864	$ 10,167,108	$ 250,000	$ 10,417,108

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,

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions						
Foundations	$ 80,483	$ 650,000	$ 730,483	$ 869,970	$ 250,000	$ 1,119,970
Corporate	47,240	-	47,240	133,306	-	133,306
Individuals	620,767	120,000	740,767	503,889	-	503,889
Other	1,988	-	1,988	-	-	-
In-kind	123,370	-	123,370	40,000	-	40,000
Special events						
Proceeds	4,235,501	-	4,235,501	2,928,510	-	2,928,510
Expenses	(662,333)	-	(662,333)	(427,374)	-	(427,374)
Net special events	3,573,168	-	3,573,168	2,501,136	-	2,501,136
Interest and dividends	181,509	-	181,509	186,840	-	186,840
Other	8,108	-	8,108	5,293	-	5,293
Net assets released from restriction	250,000	(250,000)	-	516,666	(516,666)	-
Total support and revenue	4,886,633	520,000	5,406,633	4,757,100	(266,666)	4,490,434
Expenses						
Program services	6,173,066	-	6,173,066	3,857,121	-	3,857,121
General administration	366,218	-	366,218	224,593	-	224,593
Fundraising	181,164	-	181,164	308,309	-	308,309
Total expenses	6,720,448	-	6,720,448	4,390,023	-	4,390,023
Change in net assets before change in fair value of investments	(1,833,815)	520,000	(1,313,815)	367,077	(266,666)	100,411
Change in fair value of investments	(60,128)	-	(60,128)	98,515	-	98,515
Total change in net assets	(1,893,943)	520,000	(1,373,943)	465,592	(266,666)	198,926
Net assets, beginning of year	8,139,008	250,000	8,389,008	7,673,416	516,666	8,190,082
Net assets, end of year	$ 6,245,065	$ 770,000	$ 7,015,065	$ 8,139,008	$ 250,000	$ 8,389,008

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses
Year ended December 31, 2014

	Program Services						
	Research	Awareness	Other programs	Total	General Administration	Fundraising	Total
Grants	$ 4,941,006	$ -	$ -	$ 4,941,006	$ -	$ -	$ 4,941,006
Salaries and wages	279,143	179,283	-	458,426	89,117	90,254	637,797
Payroll taxes	21,185	13,504	-	34,689	6,727	6,760	48,176
Employee benefits	29,139	18,705	-	47,844	9,559	9,408	66,811
Contractual services	896	649	-	1,545	59,405	331	61,281
Legal, audit and accounting	127,369	57,363	-	184,732	82,350	10,521	277,603
Insurance	4,631	2,947	-	7,578	2,079	1,473	11,130
Printing and publications	2,718	38,193	-	40,911	5,824	11,425	58,160
Postage	1,550	1,694	2,338	5,582	2,471	2,369	10,422
Occupancy	27,412	17,386	-	44,798	8,764	8,693	62,255
Telephone	3,833	2,423	-	6,256	3,489	1,205	10,950
Computer and internet	24,143	17,216	-	41,359	23,164	15,098	79,621
Supplies	3,134	204	79	3,417	11,713	-	15,130
Travel, meetings and related	10,438	8,822	40,302	59,562	15,282	2,355	77,199
Conferences	-	-	114,602	114,602	-	973	115,575
Awareness publicity	-	137,774	-	137,774	-	-	137,774
Bank charges	-	-	-	-	24,127	-	24,127
Equipment purchase, rental, and service	-	-	-	-	-	16,588	16,588
Fees and service payments	-	7,490	-	7,490	10	-	7,500
Web design and maintenance	-	29,110	-	29,110	-	-	29,110
Dues and subscriptions	3,520	-	-	3,520	4,085	3,250	10,855
Depreciation	-	-	-	-	15,315	-	15,315
Utilities	1,375	1,490	-	2,865	2,737	461	6,063
Total Expenses	$ 5,481,492	$ 534,253	$ 157,321	$ 6,173,066	$ 366,218	$ 181,164	$ 6,720,448

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses
Year ended December 31, 2013

	Program Services						
	Research	Awareness	Other programs	Total	General 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 and 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	$ 3,162,723	$ 558,567	$ 135,831	$ 3,857,121	$ 224,593	$ 308,309	$ 4,390,023

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statements of Cash Flows

	Years ended December 31, 2014	2013
Cash flows from operating activities		
Change in net assets	$ (1,373,943)	$ 198,926
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	15,315	6,070
Realized gain on sale of investments	(4,695)	(178,174)
Change in fair value of investments	64,823	79,659
Changes in operating assets and liabilities		
Grants and accounts receivable	30,953	(141,493)
Prepaid expenses and other assets	19,407	(31,526)
Accounts payable and accrued expenses	58,246	(27,862)
Grants payable	866,453	(1,062,547)
Net cash used in operating activities	(323,441)	(1,156,947)
Cash flows from investing activities		
Purchase of fixed assets	(35,037)	(8,498)
Proceeds from sale of investments	2,343,596	3,713,951
Purchases of investments	(2,561,735)	(4,856,420)
Net cash used in investing activities	(253,176)	(1,150,967)
Change in cash and cash equivalents	(576,617)	(2,307,914)
Cash and cash equivalents, beginning of year	2,930,436	5,238,350
Cash and cash equivalents, end of year	$ 2,353,819	$ 2,930,436

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

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:

<u>Unrestricted net assets</u>- Net assets that are not subject to donor-imposed stipulations.

<u>Temporarily restricted net assets</u>- 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.

<u>Permanently restricted net assets</u>- 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, 2014 and 2013.

Subsequent Events
CURE has performed an evaluation of subsequent events through March 16, 2015, 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.

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 and Grants Receivable
Contributions, including unconditional promises to give, and grants are recorded when received. Contributions and grants 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.

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 receivables. 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, 2014 and 2013, no amounts have been recorded as bad debt expense.

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.

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.

Note B - Summary of Significant Accounting Policies (Continued)

Fixed Assets (continued)
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.

In 2014, $19,781 of fixed assets with associated accumulated depreciation of $14,254 were written off.

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.

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

Note B - Summary of Significant Accounting Policies (Continued)

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 actual direct expenditures and estimates of time spent by 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:

	2014	2013
Bond mutual funds	$ 2,774,828	$ 2,707,187
Equity mutual funds	1,506,877	1,452,806
U.S. Equities	350,750	292,861
Money market funds	2,378,900	2,400,490
Total investments	$ 7,011,355	$ 6,853,344

At December 31, 2014 and 2013, 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 for the year ended December 31:

	2014	2013
Interest and dividends	$ 181,509	$ 186,840
Realized gains	4,695	178,174
Change in fair value of investments	(64,823)	(79,659)
	$ 121,381	$ 285,355

Note D - Contributions and Grants Receivable

Receivables at December 31 consist of the following:

	2014	2013
Receivable due within one year	$ 398,086	$ 529,039
Receivable due in one to five years	100,000	-
Total contributions and grants receivable	$ 498,086	$ 529,039

Note E - Temporarily Restricted Net Assets

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

	2014	2013
Future operations	$ 720,000	$ 250,000
Purpose restriction	50,000	-
Total temporarily restricted net assets	$ 770,000	$ 250,000

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, 2014 and 2013 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 and CURE will match up to 3% of employees salaries. Pension expense for the years ended December 31, 2014 and 2013 was $10,645 and $10,126, respectively.

Note G - Commitments

Effective October 1, 2013, CURE entered into a lease agreement for office space that expires on November 30, 2018. Future minimum lease payments are as follows:

Fiscal Years Ending December 31,	Minimum Lease Payments
2015	$ 69,073
2016	71,145
2017	73,280
2018	69,048
	$ 282,546

Note H - Related Party Transactions

The statements of financial position include $120,000 and $250,000 in outstanding receivables as of December 31, 2014 and 2013, respectively from member's of CURE's Board of Directors.