

Citizens United for Research in Epilepsy

Audited Financial Statements

*Years ended December 31, 2015 and 2014
with Report of Independent Auditors*

Citizens United for Research in Epilepsy

Audited Financial Statements

Years ended December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.



Arlington Heights, Illinois
April 15, 2016

Citizens United for Research in Epilepsy

Statements of Financial Position
December 31,

	2015		2014		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Assets					
Cash and cash equivalents	\$ 729,980	\$ -	\$ 729,980	\$ 2,003,819	\$ 2,353,819
Investments	5,946,046	820,107	6,766,153	7,011,355	7,011,355
Contributions and grants receivable	180,690	1,110,000	1,290,690	78,086	498,086
Prepaid expenses and other assets	71,642	-	71,642	59,266	59,266
Fixed assets, less accumulated depreciation of \$26,627 in 2015 and \$13,858 in 2014	127,693	-	127,693	45,338	45,338
Total Assets	\$ 7,056,051	\$ 1,930,107	\$ 8,986,158	\$ 9,197,864	\$ 9,967,864
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	\$ 68,302	\$ -	\$ 68,302	\$ 132,851	\$ 132,851
Grants payable	3,659,735	-	3,659,735	2,819,948	2,819,948
Total Liabilities	3,728,037	-	3,728,037	2,952,799	2,952,799
Net Assets	3,328,014	1,930,107	5,258,121	6,245,065	7,015,065
Total Liabilities and Net Assets	\$ 7,056,051	\$ 1,930,107	\$ 8,986,158	\$ 9,197,864	\$ 9,967,864

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,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions						
Foundations	\$ 70,131	\$ 500,000	\$ 570,131	\$ 80,483	\$ 650,000	\$ 730,483
Corporate	65,315	100,000	165,315	47,240	-	47,240
Individuals	642,218	1,500,000	2,142,218	620,767	120,000	740,767
Other	18,847	-	18,847	1,988	-	1,988
In-kind	11,655	-	11,655	123,370	-	123,370
Special events						
Proceeds	2,969,514	-	2,969,514	4,235,501	-	4,235,501
Expenses	(569,251)	-	(569,251)	(662,333)	-	(662,333)
Net special events	2,400,263	-	2,400,263	3,573,168	-	3,573,168
Federal grant revenue	67,290	-	67,290	-	-	-
Interest and dividends	182,661	-	182,661	181,509	-	181,509
Other	-	-	-	8,108	-	8,108
Net assets released from restriction	939,893	(939,893)	-	250,000	(250,000)	-
Total support and revenue	<u>4,398,273</u>	<u>1,160,107</u>	<u>5,558,380</u>	<u>4,886,633</u>	<u>520,000</u>	<u>5,406,633</u>
Expenses						
Program services	6,214,385	-	6,214,385	6,173,066	-	6,173,066
General administration	331,538	-	331,538	366,218	-	366,218
Fundraising	296,099	-	296,099	181,164	-	181,164
Total expenses	<u>6,842,022</u>	<u>-</u>	<u>6,842,022</u>	<u>6,720,448</u>	<u>-</u>	<u>6,720,448</u>
Change in net assets before change in fair value of investments	(2,443,749)	1,160,107	(1,283,642)	(1,833,815)	520,000	(1,313,815)
Change in fair value of investments	<u>(473,302)</u>	<u>-</u>	<u>(473,302)</u>	<u>(60,128)</u>	<u>-</u>	<u>(60,128)</u>
Total change in net assets	(2,917,051)	1,160,107	(1,756,944)	(1,893,943)	520,000	(1,373,943)
Net assets, beginning of year	6,245,065	770,000	7,015,065	8,139,008	250,000	8,389,008
Net assets, end of year	<u>\$ 3,328,014</u>	<u>\$ 1,930,107</u>	<u>\$ 5,258,121</u>	<u>\$ 6,245,065</u>	<u>\$ 770,000</u>	<u>\$ 7,015,065</u>

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses
Year ended December 31, 2015

	Program Services				General		Total
	Research	Awareness	Other programs	Total	Administration	Fundraising	
Grants	\$ 4,591,578	\$ -	\$ -	\$ 4,591,578	\$ -	\$ -	\$ 4,591,578
Salaries and wages	485,373	308,874	-	794,247	154,437	154,437	1,103,121
Payroll taxes	29,565	18,814	-	48,379	9,407	9,407	67,193
Employee benefits	60,468	38,480	-	98,948	19,239	19,239	137,426
Contractual services	113,019	71,921	-	184,940	35,961	35,961	256,862
Legal, audit and accounting	5,891	3,749	-	9,640	1,875	1,875	13,390
Insurance	4,376	2,784	-	7,160	1,392	1,392	9,944
Printing and publications	10,326	33,375	-	43,701	3,286	3,286	50,273
Postage	3,589	2,284	-	5,873	1,142	1,142	8,157
Occupancy	33,572	21,364	-	54,936	10,682	10,682	76,300
Telephone	6,279	3,996	-	10,275	1,998	1,998	14,271
Computer and internet	30,426	19,362	-	49,788	9,681	9,681	69,150
Supplies	4,286	2,727	-	7,013	1,364	1,364	9,741
Travel, meetings and related	1,374	874	41,448	43,696	22,703	437	66,836
Conferences	28,847	-	113,511	142,358	13,581	-	155,939
Awareness publicity	-	29,575	-	29,575	-	-	29,575
Advocacy Program	-	24,500	-	24,500	-	-	24,500
Awards	-	-	-	-	1,697	-	1,697
Bank charges	-	-	-	-	35,728	33,215	68,943
Fees and service payments	-	6,818	-	6,818	-	6,818	13,636
Web design and maintenance	-	34,400	-	34,400	-	-	34,400
Dues and subscriptions	8,676	5,521	-	14,197	2,761	2,761	19,719
Depreciation	5,618	3,575	-	9,193	1,788	1,788	12,769
Utilities	1,937	1,233	-	3,170	2,816	616	6,602
Total Expenses	\$ 5,425,200	\$ 634,226	\$ 154,959	\$ 6,214,385	\$ 331,538	\$ 296,099	\$ 6,842,022

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Statement of Functional Expenses
Year ended December 31, 2014

	Program Services				General		Total
	Research	Awareness	Other programs	Total	Administration	Fundraising	
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

Statements of Cash Flows

	Years ended December 31,	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (1,756,944)	\$ (1,373,943)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	12,768	15,315
Realized gain on sale of investments	-	(4,695)
Change in fair value of investments	473,302	64,823
Donated securities	(54,180)	-
Changes in operating assets and liabilities		
Grants and accounts receivable	(792,604)	30,953
Prepaid expenses and other assets	(12,376)	19,407
Accounts payable and accrued expenses	(64,549)	58,246
Grants payable	839,787	866,453
Net cash used in operating activities	(1,354,796)	(323,441)
Cash flows from investing activities		
Purchase of fixed assets	(95,123)	(35,037)
Proceeds from sale of investments	41,862	2,343,596
Purchases of investments	(215,782)	(2,561,735)
Net cash used in investing activities	(269,043)	(253,176)
Change in cash and cash equivalents	(1,623,839)	(576,617)
Cash and cash equivalents, beginning of year	2,353,819	2,930,436
Cash and cash equivalents, end of year	\$ 729,980	\$ 2,353,819

See accompanying notes to the financial statements.

Citizens United for Research in Epilepsy

Notes to the Financial Statements

Years ended December 31, 2015 and 2014

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, 2015 and 2014.

Subsequent Events

CURE has performed an evaluation of subsequent events through April 15, 2016, 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 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. The unamortized discount and allowance are reflected as reductions to contributions and grants receivable in the statements of financial position.

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, 2015 and 2014, no amounts have been recorded as bad debt expense.

Federal Grant Revenue

Federal grant revenue represents reimbursements from the Department of Defense for expenses incurred; accordingly, grant revenues are equal to grant expenses, including allocated indirect costs.

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.

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.

In 2014, \$19,781 of fixed assets with associated accumulated depreciation of \$14,254 were written off. No fixed assets were written off in 2015.

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 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:

	2015	2014
Bond mutual funds	\$ 2,689,412	\$ 2,774,828
Equity mutual funds	1,420,096	1,506,877
U.S. Equities	168,553	350,750
Money market funds	2,488,092	2,378,900
Total investments	\$ 6,766,153	\$ 7,011,355

At December 31, 2015 and 2014, 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 (loss) return for the year ended December 31:

	2015	2014
Interest and dividends	\$ 182,661	\$ 181,509
Realized gains	-	4,695
Change in fair value of investments	(473,302)	(64,823)
	\$ (290,641)	\$ 121,381

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

Note D - Contributions and Grants Receivable

Receivables at December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Receivable due within one year	\$ 990,690	\$ 398,086
Receivable due in one to five years	<u>300,000</u>	<u>100,000</u>
Contributions and grants receivable	<u>\$ 1,290,690</u>	<u>\$ 498,086</u>

Note E - Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Future operations	\$ 410,000	\$ 720,000
Purpose restriction	<u>1,520,107</u>	<u>50,000</u>
Total temporarily restricted net assets	<u>\$ 1,930,107</u>	<u>\$ 770,000</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, 2015 and 2014 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, 2015 and 2014 was \$16,453 and \$10,645, respectively.

Note G - Commitments

CURE leases its office space in Chicago, Illinois under an operating lease agreement that expires on November 30, 2018. CURE recorded rent expense of \$76,300 and \$62,255 for the years ended December 31, 2015 and 2014, respectively. The future minimum lease payments are as follows:

<u>Fiscal Years Ending December 31,</u>	<u>Minimum Lease Payments</u>
2016	\$ 71,145
2017	73,280
2018	<u>69,048</u>
	<u>\$ 213,473</u>

Citizens United for Research in Epilepsy

Notes to the Financial Statements (Continued)

Note H - Related Party Transactions

CURE received \$1,241,305 and \$921,230 in 2015 and 2014, respectively from CURE's Board of Directors additionally, the statements of financial position include \$310,000 and \$120,000 in outstanding receivables as of December 31, 2015 and 2014, respectively from member's of CURE's Board of Directors.

Note I - Federal Grants

On September 30, 2015, CURE was awarded a federal grant in the amount of \$10,079,500 from the Department of Defense (DOD). This grant is subject to audit under the provisions of the Office of Management and Budget (OMB) Uniform Guidance. The ultimate determination of amounts received from the DOD are based upon the allowance of costs reported to and accepted by the DOD.

At December 31, 2015, CURE has received \$67,290 in federal grant funding and therefore, is not subject to audit under the provisions of OMB Uniform Guidance for the year ended.