

**Epilepsy Foundation of Arizona**  
**Financial Statements**  
**And**  
**Independent Auditor's Report**  
**Year Ended June 30, 2014**

**Epilepsy Foundation of Arizona  
Year Ended June 30, 2014  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Epilepsy Foundation of Arizona

We have audited the accompanying financial statements of Epilepsy Foundation of Arizona, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 organization'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 organization'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 Epilepsy Foundation of Arizona as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Snyder & Butler, CPAs, PLLC  
Gilbert, AZ  
September 9, 2014

**Epilepsy Foundation of Arizona**  
**Statement of Financial Position**  
**June 30, 2014**

ASSETS

Cash and cash equivalents	\$ 47,866
Investments	180,873
Prepaid expenses	4,050
Furniture and equipment, net	-
Total assets	<u>232,789</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	1,979
Accrued payroll and related	2,381
Total liabilities	<u>4,360</u>

Net assets:

Unrestricted	197,497
Temporarily restricted	30,932
Total net assets	<u>228,429</u>
Total liabilities and net assets	<u>\$ 232,789</u>

The accompanying notes are an integral part of this financial statement.

**Epilepsy Foundation of Arizona**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions and grants	\$ 62,870		\$ 62,870
Donated services	19,228		19,228
Total contributions	<u>82,098</u>	<u>-</u>	<u>82,098</u>
Special event revenue	127,489	\$ 21,101	148,590
Less costs of direct donor benefits	(21,243)		(21,243)
Net special event revenue	<u>106,246</u>	<u>21,101</u>	<u>127,347</u>
Other revenue:			
Payments from National Office	5,230		5,230
Savers Program	31,171		31,171
Interest and dividend income	24		24
Net unrealized gains on investments	1,038		1,038
Other income	8,625		8,625
Total other revenue	<u>46,088</u>	<u>-</u>	<u>46,088</u>
Net assets released from restrictions- satisfaction of purpose restrictions	<u>500</u>	<u>(500)</u>	<u>-</u>
Total support and revenues	<u>234,932</u>	<u>20,601</u>	<u>255,533</u>
<b>EXPENSES</b>			
Program services:			
Public health, education, and outreach	185,402		185,402
Total program services	<u>185,402</u>	<u>-</u>	<u>185,402</u>
Supporting services:			
Management and general	50,944		50,944
Fundraising	35,134		35,134
Total supporting services	<u>86,078</u>	<u>-</u>	<u>86,078</u>
Total expenses	<u>271,480</u>	<u>-</u>	<u>271,480</u>
Change in net assets	(36,548)	20,601	(15,947)
Net assets, beginning of year	234,045	10,331	244,376
Net assets, end of year	<u>\$ 197,497</u>	<u>\$ 30,932</u>	<u>\$ 228,429</u>

The accompanying notes are an integral part of this financial statement.

**Epilepsy Foundation of Arizona  
Statement of Functional Expenses  
For the Year Ended June 30, 2014**

	Program Services		Supporting Services			Total Expenses
	Public Health, Education & Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 68,902	\$ 68,902	\$ 23,352	\$ 21,992	\$ 45,344	\$ 114,246
Employee benefits/payroll taxes	18,226	18,226	6,177	5,817	11,994	30,220
Camp stipends	3,824	3,824			-	3,824
Total employee and related expenses	<u>90,952</u>	<u>90,952</u>	<u>29,529</u>	<u>27,809</u>	<u>57,338</u>	<u>148,290</u>
Professional fees/contract services	9,697	9,697	11,560		11,560	21,257
Donated services	19,228	19,228			-	19,228
Supplies and materials	10,033	10,033	3,400	3,202	6,602	16,635
Credit card processing fees	4,321	4,321			-	4,321
Insurance	2,830	2,830	959	903	1,862	4,692
Advertising	4,577	4,577	1,551	1,461	3,012	7,589
Payments to National (dues)	12,596	12,596			-	12,596
Travel and conferences	6,261	6,261	1,867	1,759	3,626	9,887
Scholarships	500	500			-	500
Rental fees	24,356	24,356	2,078		2,078	26,434
Miscellaneous	51	51			-	51
Total expenses	<u>\$ 185,402</u>	<u>\$ 185,402</u>	<u>\$ 50,944</u>	<u>\$ 35,134</u>	<u>\$ 86,078</u>	<u>\$ 271,480</u>

The accompanying notes are an integral part of this financial statement.

**Epilepsy Foundation of Arizona  
Statement of Cash Flows  
For the Year Ended June 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (15,947)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(Increase) decrease in	
Prepaid expenses	(4,050)
Increase (decrease) in	
Accounts payable	(25,730)
Accrued liabilities	(493)
Net cash used by operating activities	<u>(46,220)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net proceeds from sale of securities	<u>5,002</u>
Net cash used by investing activities	<u>5,002</u>
Net decrease in cash	(41,218)
Cash and cash equivalents, beginning of year	89,084
Cash and cash equivalents, end of year	<u><u>\$ 47,866</u></u>

The accompanying notes are an integral part of this financial statement.

**Epilepsy Foundation of Arizona**  
**Notes to Financial Statements**  
**June 30, 2014**

**1. Operations and Summary of Significant Accounting Policies**

Operations

Epilepsy Foundation of Arizona (the "Organization") is a 501(c)(3) nonprofit corporation incorporated in the state of Arizona. The Organization's purpose is to disseminate information about epilepsy to the public and, as funds allow, assist individuals who have epilepsy. Such information and assistance is provided primarily to individuals living in Arizona. The Organization is affiliated with the Epilepsy Foundation of America (National). Major funding sources are from direct public contributions and bequests.

Program services include public health education, professional education and training, and community services. These programs provide speakers, workshops, camps, scholarships, information and referral services, and other programs to increase awareness, treatment, and acceptance of epilepsy.

Basis of Presentation

The financial statements are presented in accordance with guidance found primarily in FASB ASC 958 regarding financial statements of not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Property

Purchased property is stated at cost. Property acquired by gift is stated at estimated fair value at the date of contribution. Depreciation is provided using the straight-line method over estimated useful lives of five years for computer equipment and software and three to six years for furniture and equipment. The Organization's policy is to capitalize costs greater than \$500. In absence of donor restrictions on how long gifts of long-lived assets must be used, the Organization does not imply time restrictions on such contributions.

Contributions

The Organization accounts for contributions in accordance with guidance found primarily in FASB ASC 958. As such, contributions of cash or other assets are recognized at fair value as revenue when they are received. Promises to give are recognized as revenue when a donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give that are received with conditions are not recognized until those conditions are substantially met.

**Epilepsy Foundation of Arizona**  
**Notes to Financial Statements**  
**June 30, 2014**

Contributions are reported as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions, where restrictions are met in the same period as the donation is made, are shown as additions to unrestricted net assets. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

#### Special Events Revenue

The Organization 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. Such direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as special events costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as special events revenues in the accompanying financial statements.

#### Donated Facilities and Services

Donated materials and professional services are reflected as revenue in the accompanying financial statements at their estimated values at the date of receipt. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605.

#### Fundraising Costs

All fundraising costs are expensed in the period incurred.

#### Advertising

Advertising costs are charged to operations as incurred. Advertising expense totaled approximately \$7,589 and \$1,673 for the years ended June 30, 2014 and 2013, respectively.

#### Functional Allocation of Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis in the accompanying Statement of Activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited, determined by specific identification and estimates of time spent and benefits derived.

#### Income Tax Status

The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the "Code"). However, income from certain activities not directly related to the

**Epilepsy Foundation of Arizona**  
**Notes to Financial Statements**  
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Organization's tax-exempt purpose may be subject to taxation as unrelated business income. During the year ended June 30, 2014, the Organization did not earn any unrelated business taxable income; therefore the accompanying financial statements contain no provision for income taxes.

The Organization applies the provisions of FASB ASC 740, Income Taxes, which provides guidance on uncertainty of income taxes. Under that guidance, uncertain tax positions are accounted for based on whether it is "more-likely-than-not" that the position will be upheld by the taxing authority upon examination. The Organization routinely evaluates potential uncertain tax positions. The Organization has identified its status as an exempt organization as a tax position; however, the Organization has determined that such tax position does not result in an uncertainty that requires recognition.

Interest and penalties, if any, are accrued as a component of management and general expenses when assessed. As of June 30, 2014, the Organization has not accrued interest or penalties related to uncertain tax positions.

## **2. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities 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 may differ from those estimates.

## **3. Fair Value Measurements**

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a common definition for fair value to be applied under U.S. generally accepted accounting principles requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

All assets of the Organization subject to fair value measurements (investments), are considered Level 1.

**Epilepsy Foundation of Arizona**  
**Notes to Financial Statements**  
**June 30, 2014**

**4. Investments**

Investments consist of the following at year end June 30, 2014:

Equities	\$ 61
Short term bond mutual funds	<u>180,812</u>
Total investments	<u>\$ 180,873</u>

**5. Property and Equipment**

At June 30, 2014 property and equipment consisted of equipment with historical costs of \$5,311 and accumulated depreciation of \$5,311, for a net book value of \$0.

**6. Concentrations**

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not expect to experience any such losses. At June 30, 2014 the Organization had no amount in excess of federally insured limits.

**7. Subsequent Events**

Management evaluated subsequent events through September 9, 2014, the date on which the financial statements were available to be issued.

**8. Temporarily Restricted Net Assets**

At June 30, 2014 temporarily restricted net assets consisted of \$21,101 from the Veterans Golf Tournament restricted for veteran's programs and \$9,831 for the Amber Sweeney Memorial Scholarship Fund.