

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR
RESEARCH AND TRAINING**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

[CLAconnect.com](https://www.CLAconnect.com)

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION	26
CONSOLIDATING SCHEDULES OF ACTIVITIES	28



INDEPENDENT AUDITORS' REPORT

Board of Directors
American Epilepsy Society, Inc. and
The Lennox and Lombroso Fund for Research and Training
Chicago, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Epilepsy Society, Inc. (a nonprofit corporation) and The Lennox and Lombroso Fund for Research and Training (a nonprofit trust), collectively referred to as the Organization, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors
American Epilepsy Society, Inc. and
The Lennox and Lombroso Fund for Research and Training

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Epilepsy Society, Inc. and The Lennox and Lombroso Fund for Research and Training as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and consolidating schedules of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
February 24, 2022

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,170,772	\$ 6,416,038
Accounts Receivable	151,127	124,725
Investments, Other	3,173,746	1,003,142
Prepaid Expenses	300,755	302,001
Total Current Assets	8,796,400	7,845,906
PROPERTY AND EQUIPMENT		
Leasehold Improvements	147,795	147,795
Computers and Equipment	433,393	288,220
Furniture and Fixtures	100,056	100,056
Total	681,244	536,071
Less: Accumulated Depreciation	197,307	284,805
Total Property and Equipment	483,937	251,266
OTHER ASSETS		
Investments, Endowment Funds	16,720,779	13,134,720
Security Deposits	34,840	34,840
Total Other Assets	16,755,619	13,169,560
Total Assets	\$ 26,035,956	\$ 21,266,732
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 393,455	\$ 358,505
Deferred Rent	42,937	-
Deferred Revenue	1,346,076	1,379,936
Paycheck Protection Program Loan	403,752	351,764
Total Liabilities	2,186,220	2,090,205
NET ASSETS		
Without Donor Restrictions	17,156,644	13,775,080
With Donor Restrictions	6,693,092	5,401,447
Total Net Assets	23,849,736	19,176,527
Total Liabilities and Net Assets	\$ 26,035,956	\$ 21,266,732

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Membership Dues	\$ 917,580	\$ -	\$ 917,580
Publications and Journals	408,550	-	408,550
Registration and Exhibition Fees	2,855,372	-	2,855,372
Contributions and Sponsorships	487,082	173,306	660,388
Educational Grants	1,533,913	-	1,533,913
Other Revenue	683,015	-	683,015
Net Assets Released from Restrictions	98,740	(98,740)	-
Total Support	<u>6,984,252</u>	<u>74,566</u>	<u>7,058,818</u>
EXPENSES			
Program	5,640,565	-	5,640,565
General Operations	771,738	-	771,738
Fundraising	167,197	-	167,197
Total Expenses	<u>6,579,500</u>	<u>-</u>	<u>6,579,500</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	404,752	74,566	479,318
INVESTMENT INCOME, NET	<u>2,976,812</u>	<u>1,217,079</u>	<u>4,193,891</u>
CHANGE IN NET ASSETS	3,381,564	1,291,645	4,673,209
Net Assets - Beginning of Year	<u>13,775,080</u>	<u>5,401,447</u>	<u>19,176,527</u>
NET ASSETS - END OF YEAR	<u>\$ 17,156,644</u>	<u>\$ 6,693,092</u>	<u>\$ 23,849,736</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Membership Dues	\$ 971,578	\$ -	\$ 971,578
Publications and Journals	484,637	-	484,637
Registration and Exhibition Fees	4,759,587	-	4,759,587
Contributions and Sponsorships	654,106	2,317,478	2,971,584
Educational Grants	1,154,951	-	1,154,951
Other Revenue	256,209	-	256,209
Net Assets Released from Restrictions	263,818	(263,818)	-
Total Support	8,544,886	2,053,660	10,598,546
EXPENSES			
Program	7,014,113	-	7,014,113
General Operations	950,011	-	950,011
Fundraising	227,483	-	227,483
Total Expenses	8,191,607	-	8,191,607
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	353,279	2,053,660	2,406,939
INVESTMENT INCOME, NET	459,044	99,520	558,564
CHANGE IN NET ASSETS	812,323	2,153,180	2,965,503
Net Assets - Beginning of Year	12,962,757	3,248,267	16,211,024
NET ASSETS - END OF YEAR	\$ 13,775,080	\$ 5,401,447	\$ 19,176,527

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Annual Meeting	Research	Education	Member Services	Communications	Clinical Programs	Technology	Total Program Costs	Supporting General Operation	Fundraising	Total
Salaries, Taxes, and Fringe Benefits	\$ 769,806	\$ 157,929	\$ 467,174	\$ 250,253	\$ 125,127	\$ 171,156	\$ 125,127	\$ 2,066,572	\$ 440,985	\$ 138,089	\$ 2,645,646
Staff Development	4,280	878	2,597	1,391	696	952	696	11,490	2,452	768	14,710
Travel	776	175	-	-	-	-	-	951	-	-	951
Public Relations/Marketing	8,160	-	-	1,195	-	-	-	9,355	-	-	9,355
Awards and Grants	187,599	-	2,655	-	-	-	-	190,254	-	-	190,254
Telephone/Conference Calls	-	-	-	-	-	-	4,201	4,201	-	-	4,201
Postage and Fax	20,664	56	-	100	-	-	66	20,886	1,487	4,230	26,603
Professional Fees	144,300	837	55,969	47,067	47,000	10,908	167,170	473,251	141,041	6	614,298
Web Hosting and Development	9,595	9,819	49,379	479	102	5,000	192,634	267,008	3,947	3,000	273,955
Publications, Printing, and Design	68,005	-	-	3,409	950	-	-	72,364	2,333	1,413	76,110
Bank Fees	55,241	-	-	-	-	-	-	55,241	42,782	-	98,023
Meeting Infrastructure	388,204	-	-	-	-	-	-	388,204	-	-	388,204
Research	-	1,270,000	-	-	-	-	-	1,270,000	-	-	1,270,000
Office and Computer Supplies	980	-	-	117	-	-	3,236	4,333	1,342	-	5,675
Insurance	22,050	-	-	-	-	-	-	22,050	23,259	-	45,309
Food and Beverage	-	820	-	-	-	-	5	825	1,734	-	2,559
Room/Facilities and Equipment	-	-	-	-	-	-	-	-	-	-	-
Rental	303,832	-	-	-	-	-	-	303,832	-	-	303,832
Entertainment	750	-	-	-	-	-	-	750	-	-	750
Continuing Medical Education Fees	4,100	-	14,500	-	-	-	-	18,600	-	-	18,600
Other Expenses	415	-	-	-	608	-	85	1,108	6,015	-	7,123
Dues and Subscriptions	-	7,175	18,671	138,672	-	50	125	164,693	41,497	6	206,196
Rent and Facilities	76,636	15,722	46,508	24,913	12,457	17,039	12,457	205,732	43,901	13,747	263,380
Depreciation	33,102	6,791	20,089	10,761	5,381	7,360	5,381	88,865	18,963	5,938	113,766
Total Expenses	\$ 2,098,495	\$ 1,470,202	\$ 677,542	\$ 478,357	\$ 192,321	\$ 212,465	\$ 511,183	\$ 5,640,565	\$ 771,738	\$ 167,197	\$ 6,579,500

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Annual Meeting	Research	Education	Member Services	Communications	Clinical Programs	Technology	Total Program Costs	Supporting General Operation	Fundraising	Total
Salaries, Taxes, and Fringe Benefits	\$ 636,213	\$ 146,818	\$ 342,576	\$ 293,637	\$ 122,349	\$ 171,288	\$ 171,288	\$ 1,884,169	\$ 391,516	\$ 171,288	\$ 2,446,973
Staff Development	4,168	962	2,244	1,924	801	1,122	1,122	12,343	2,565	1,122	16,030
Travel	43,956	13,723	17,588	-	-	8,867	1,188	85,322	63,051	2,230	150,603
Public Relations/Marketing	102,542	-	-	-	-	-	-	102,542	-	-	102,542
Awards and Grants	184,398	-	85,250	-	-	-	-	269,648	-	-	269,648
Telephone/Conference Calls	37,668	-	-	-	-	-	12,368	50,036	48	-	50,084
Postage and Fax	719	24	107	5,268	-	-	18	6,136	951	2,707	9,794
Professional Fees	182,356	-	62,551	45,142	71,921	5,275	342,719	709,964	212,463	-	922,427
Web Hosting and Development	20,766	9,547	32,983	-	102	-	149,438	212,836	3,109	3,000	218,945
Publications, Printing, and Design	127,759	14,503	65	6,064	-	-	-	148,391	1,127	3,247	152,765
Bank Fees	98,786	-	-	-	-	-	-	98,786	41,492	-	140,278
Meeting Infrastructure	286,328	-	-	-	-	-	-	286,328	-	-	286,328
Research	-	1,299,779	-	-	-	-	-	1,299,779	-	-	1,299,779
Office and Computer Supplies	2,810	-	-	-	-	-	8,042	10,852	4,684	24	15,560
Insurance	22,050	-	-	-	-	-	-	22,050	20,918	-	42,968
Food and Beverage	513,637	-	50,160	2,069	-	6,322	533	572,721	25,025	17,498	615,244
Room/Facilities and Equipment Rental	562,048	-	9,050	-	-	582	-	571,680	2,701	-	574,381
Booths	80,144	-	-	-	-	-	-	80,144	-	-	80,144
Entertainment	1,305	-	-	-	-	-	-	1,305	-	-	1,305
Continuing Medical Education Fees	6,600	-	9,425	-	-	-	-	16,025	-	-	16,025
Other Expenses	40,054	-	-	370	1,589	-	-	42,013	38,542	1,155	81,710
Dues and Subscriptions	-	13,885	37,470	252,621	-	20	135	304,131	40,968	-	345,099
Rent and Facilities	19,298	19,298	57,895	38,597	-	19,298	19,298	173,684	77,193	19,298	270,175
Depreciation	5,914	5,914	17,743	11,829	-	5,914	5,914	53,228	23,658	5,914	82,800
Total Expenses	\$ 2,979,519	\$ 1,524,453	\$ 725,107	\$ 657,521	\$ 196,762	\$ 218,688	\$ 712,063	\$ 7,014,113	\$ 950,011	\$ 227,483	\$ 8,191,607

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,673,209	\$ 2,965,503
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Forgiveness of Paycheck Protection Program Loan	(351,764)	-
Depreciation	113,766	82,800
Realized and Unrealized Gains on Investments	(3,869,178)	(291,988)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(26,402)	(13,021)
Prepaid Expenses	1,246	(12,990)
Accounts Payable and Accrued Expenses	1,190	193,860
Deferred Rent	42,937	(11,877)
Deferred Revenue	(33,860)	37,701
Net Cash Provided by Operating Activities	551,144	2,949,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,280,459	2,595,876
Purchase of Investments	(3,167,944)	(3,215,495)
Purchase of Equipment	(312,677)	-
Net Cash Used by Investing Activities	(2,200,162)	(619,619)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	403,752	351,764
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,245,266)	2,682,133
Cash and Cash Equivalents - Beginning of Year	6,416,038	3,733,905
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,170,772	\$ 6,416,038

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Epilepsy Society, Inc. (the Society) is a nonprofit corporation organized on March 15, 1954, under the General Laws of the Commonwealth of Massachusetts. The Society moved its operations to Chicago, Illinois, in March 2015 and now operates under the General Laws of the Commonwealth of Illinois. The Society strives to achieve important advances in the understanding, diagnosis, and treatment of epilepsy through medical research and education. The activities are funded primarily through membership dues, conference registrations and exhibit fees, contributions, and publications.

The Lennox and Lombroso Fund for Research and Training (the Trust) is a nonprofit trust fund organized under the laws of the state of Wisconsin. The purpose of the Trust is to promote the advancement and dissemination of knowledge concerning epilepsy, the promotion of better care and treatment for persons subject to seizures, the receipt of donations and bequests to carry out these purposes, and to make grants to qualified agencies or individuals for any of the foregoing purposes. The activities are funded primarily through investment income.

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Society and the Trust, collectively referred to as the Organization. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting.

Consolidated Financial Statement Presentation

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The separate classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions include net assets subject to designations that may be imposed or removed at the discretion of the Organization's board of directors.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statement Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may, or will be met, either by actions of the Organization and/or by the passage of time. This class also includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization's net assets with donor restrictions are temporary in nature and are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled or both.

Cash and Cash Equivalents

The Organization considers demand deposits, money market funds, and all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held in investment accounts are excluded from cash and cash equivalents.

At times, the Organization's cash balances may exceed federally insured limits; however, the Organization has not experienced any losses in such accounts and limits its exposure to credit risk by maintaining its cash and cash equivalents in highly reputable financial institutions.

Accounts Receivable

All accounts receivable balances as of June 30, 2021 and 2020 are due within one year. As a result, accounts receivable are measured at net realizable value.

Allowances for accounts receivable are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions, and overall viability of the third party. Based on this assessment, the Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. No receivables were determined to be uncollectible during the years ended June 30, 2021 and 2020.

The Organization extends credit to its members for program services on a limited basis and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

Investments

Investments are reported at fair value based on publicly available market data obtained from services independent of the Organization. Investment income is classified as operating activities and is available to support operations in future periods and offset potential market declines.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In general, investments are exposed to various risk, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future consolidated statements of activities. Management believes that the Organization's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

Property and Equipment

Property and equipment over \$2,500 with an estimated useful life of greater than one year is capitalized at cost and depreciated using the straight-line basis over three to seven years of the assets useful life. The Organization expenses maintenance activities as they are incurred.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Revenue

Dues payments received in advance for the following fiscal year and assessments received in advance of the sponsored event or meeting are all included as Deferred Revenue on the consolidated statements of financial position. The revenue is recognized once sponsored event or meeting is held. Also included in deferred revenue are amounts received in advance of fulfilling measurable performance or other barriers and include a right of return. Consequently, at June 30, 2021 and 2020, deferred revenue includes amounts received in advance of \$50,705 and \$256,476, respectively, which have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not yet been met.

Deferred Rent Obligation

The Organization has entered into an operating lease which contains provisions for a rent abatement period and for escalating rent over the lease term. In accordance with accounting principles generally accepted in the United States of America, rent expense is recognized evenly over the life of the lease. The difference between rent expense recorded and amount paid is charged to the deferred rent obligation on the consolidated statements of financial position.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Membership Dues

Dues are collected annually from members. The membership period begins on July 1 and ends on June 30. Revenues recognized during a period relate to dues earned for that period of membership. Dues collected in advance are deferred and recognized as revenue over the membership period.

Publications and Journals

Publication and journal revenue includes revenue for editorial honorariums, revenue share with the publisher, advertising and other publication and product charges. Revenue recognized during a period relates to revenue received for a publication that is issued in that period. Fees collected in advance are deferred and recognized in subsequent periods.

Registration and Exhibition Fees

Annual meeting revenue includes meeting registration, exhibit, and sponsorship revenues for meetings held within the respective year. Registration and exhibit income received and sponsorship income received and accrued in each year for the subsequent year's annual meeting are deferred and recorded as deferred annual meeting revenue.

Contributions, Sponsorships and Educational Grants

Contributions, sponsorships and educational grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets without donor restriction. Contributions with donor-imposed restrictions that limit the use of the donated assets are reported as restricted support. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions. Transfers of assets subject to conditions where the likelihood of not meeting those conditions is not remote are recorded as refundable advances and included in deferred revenue. A contribution is recorded when substantially all barriers are met.

Donated Services

A substantial number of volunteers have made significant contributions of their time to develop, implement, and maintain a variety of the Organization's programs and activities, principally community service and educational programs, membership development, and financial administration during the year. However, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills, nor are such services susceptible to objective measurement or valuation.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Society and Trust are exempt from federal income tax as nonprofit organizations described in Section 501(c)(3) of the Internal Revenue Code and are classified as organizations other than private foundations. The Society and Trust are liable for taxes on any unrelated business net income. No liability was considered necessary as of June 30, 2021 and 2020. The material jurisdictions subject to potential examination by taxing authorities include the U.S., Connecticut, and Illinois. The Organization follows the requirements for accounting for uncertain tax positions. The Organization has determined that it is not required to record a liability related to uncertain tax positions as of June 30, 2021 and 2020.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include salaries, taxes, fringe benefits, and staff development, which are allocated on the basis of estimates of time and effort. Rent, facilities, and depreciation expenses are allocated on the basis of full-time equivalents dedicated to a particular area.

Measure of Operations

The Organization's change in net assets before investment income on the consolidated statements of activities includes all operating revenues and expenses that are an integral part of its program and support activities and other nonoperating funds to support current operating activities. The measure of operations excludes investment income.

Reclassifications

Prior year amounts have been reclassified, where appropriate, to conform to the current year method of presentation. These changes had no impact on the change in net assets.

Adoption of New Accounting Standard

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB had issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning in 2021. The modified retrospective method was selected, and no cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 LIQUIDITY

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments. The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,170,772	\$ 6,416,038
Accounts Receivable	151,127	124,725
Investments - Excluding Endowment Funds	<u>3,173,746</u>	<u>1,003,142</u>
Total Financial Assets	8,495,645	7,543,905
Less: Other Amounts Received With Donor Restriction	<u>3,586,050</u>	<u>3,055,495</u>
Total	<u>\$ 4,909,595</u>	<u>\$ 4,488,410</u>

The Organization has established board-designated funds where the governing board has the objective of setting funds aside for various initiatives, including a long-term reserve fund and strategic reserve fund which can be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. These funds are included in investments, Other, and Investments, Endowment Funds on the consolidated statements of financial position. The Organization does not intend to spend from its investment account other than amounts appropriated for expenditures as part of its annual appropriation from its board-designated and donor restricted endowment funds.

NOTE 3 INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
American Epilepsy Society		
Mutual Funds - Equities	\$ 9,083,867	\$ 5,442,886
Mutual Funds - Fixed Income	<u>4,338,732</u>	<u>3,528,648</u>
Total	13,422,599	8,971,534
Lennox and Lombroso Fund		
Mutual Funds - Equities	4,466,634	3,405,173
Mutual Funds - Fixed Income	<u>2,005,292</u>	<u>1,761,155</u>
Total	<u>6,471,926</u>	<u>5,166,328</u>
Total Investments at Fair Value	<u>\$ 19,894,525</u>	<u>\$ 14,137,862</u>

Investment return consisted of the following at June 30, 2021:

	<u>Society</u>	<u>Trust</u>	<u>Total</u>
Interest and Dividend Income, Net	\$ 219,432	\$ 105,281	\$ 324,713
Realized and Unrealized Gains	<u>2,559,151</u>	<u>1,310,027</u>	<u>3,869,178</u>
Total	<u>\$ 2,778,583</u>	<u>\$ 1,415,308</u>	<u>\$ 4,193,891</u>

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 INVESTMENTS (CONTINUED)

Investment return consisted of the following at June 30, 2020:

	<u>Society</u>	<u>Trust</u>	<u>Total</u>
Interest and Dividend Income, Net	\$ 177,163	\$ 89,413	\$ 266,576
Realized and Unrealized Losses	146,999	144,989	291,988
Total	<u>\$ 324,162</u>	<u>\$ 234,402</u>	<u>\$ 558,564</u>

NOTE 4 FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. It also defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
American Epilepsy Society				
Mutual Funds - Equities	\$ 9,083,867	\$ -	\$ -	\$ 9,083,867
Mutual Funds - Fixed Income	4,338,732	-	-	4,338,732
Total	<u>13,422,599</u>	<u>-</u>	<u>-</u>	<u>13,422,599</u>
Lennox and Lombroso Fund				
Mutual Funds - Equities	4,466,634	-	-	4,466,634
Mutual Funds - Fixed Income	2,005,292	-	-	2,005,292
Total	<u>6,471,926</u>	<u>-</u>	<u>-</u>	<u>6,471,926</u>
Total Investments at Fair Value	<u>\$ 19,894,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,894,525</u>

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
American Epilepsy Society				
Mutual Funds - Equities	\$ 5,442,886	\$ -	\$ -	\$ 5,442,886
Mutual Funds - Fixed Income	3,528,648	-	-	3,528,648
Total	8,971,534	-	-	8,971,534
Lennox and Lombroso Fund				
Mutual Funds - Equities	3,405,173	-	-	3,405,173
Mutual Funds - Fixed Income	1,761,155	-	-	1,761,155
Total	5,166,328	-	-	5,166,328
Total Investments at Fair Value	<u>\$ 14,137,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,137,862</u>

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The carrying amounts of all other assets and liabilities reflected in the consolidated statements of financial position for the Organization's financial instruments approximates their respective fair value due to the short-term maturities of those instruments. There have been no changes in valuation techniques and related inputs.

NOTE 5 BOARD-DESIGNATED NET ASSETS

The purpose of the Long-Term Reserve Fund is to enhance the purchasing power of funds held for future expenditures, to maintain the financial stability of the Organization, and to provide cash to be used during the current budget cycle. The Long-Term Reserve Fund operates as a board-designated endowment. See Note 11.

The Organization has a Strategic Reserve Fund (formerly the New Initiatives Fund) to fund special research programs. The balance of the Strategic Reserve Fund as of June 30, 2021 and 2020 was \$250,000 and \$231,964, respectively.

The purpose of the Susan Spencer and the Lennox and Lombroso Fund is to support research grants. The purpose of the Goldberg-Kaufman grant is to support lectures. The purpose of the Berry AES International Travel Award Fund is to support travel grants based on the donor agreement See disclosure of these funds with Note 11. The purpose of the Sergievsky Fund is to support work in underserved communities and for professionals from underrepresented groups. The Sergievsky Fund has a board designated balance of \$360,029 and \$-0- at June 30, 2021 and 2020, respectively. The board has been designated the right to use any of the excess funds in these accounts for any project related to the Organization's mission.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the year ended June 30 is as follows:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Penry Fund	\$ 361,252	\$ 221,983
Jr. Mexican Epileptologist	74,923	56,384
Pellock Fund	189,545	145,962
Sergievsky Fund	2,060,625	2,000,000
Future Programs:		
EpiPort	-	34,988
PAME	272,800	64,461
Epilepsy Leadership Council	71,972	55,977
AES Fellows	411,009	358,292
APP Initiative	143,398	117,448
Rare Epilepsy Network	526	-
Total	3,586,050	3,055,495
Endowments:		
Amounts To Be Held In Perpetuity, the Income From		
Which is Expendable to Support:		
Susan Spencer Fund	1,346,191	1,316,017
Fritz Dreifuss Epilepsy Fund	182,315	180,215
Rebecca Goldberg-Kaufman		
Ethical Neuropsychiatry Fund	47,460	46,960
Grass Foundation Fund	200,000	200,000
Berry AES International Travel Award	55,617	55,467
Total	1,831,583	1,798,659
Subject to Endowment Spending Policy and		
Appropriation:		
Susan Spencer Fund	892,099	364,938
Fritz Dreifuss Epilepsy Fund	134,460	66,625
Rebecca Goldberg-Kaufman		
Ethical Neuropsychiatry Fund	81,555	31,112
Grass Foundation Fund	140,345	73,956
Berry AES International Travel Award	27,000	10,662
Total	1,275,459	547,293
Total Endowments	3,107,042	2,345,952
Total Net Assets With Donor Restrictions	\$ 6,693,092	\$ 5,401,447

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions for the year ended June 30 is as follows:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Perry Fund	\$ 4,125	\$ 5,195
Jr. Mexican Epileptologist	-	2,250
Pellock Fund	2,000	2,000
Future Programs:		
EpiPort	34,988	50,000
PAME	-	33,510
AES Fellows	-	21,266
Sleep and Epilepsy	-	15,624
Seed Grants	-	80,000
Total	41,113	209,845
Release of Appropriated Endowment Returns for Expenditure:		
Susan Spencer Fund	41,585	37,262
Fritz Dreifuss Epilepsy Fund	1,515	1,955
Rebecca Goldberg-Kaufman Ethical Neuropsychiatry Fund	1,725	1,956
Grass Foundation Fund	10,479	10,479
Berry AES International Travel Award	2,323	2,321
Total	57,627	53,973
 Total Net Assets Released from Donor Restrictions	 \$ 98,740	 \$ 263,818

NOTE 8 REVENUE RECOGNITION

Accounts receivable consists of the following at June 30:

	2021	2020
Sponsorships	\$ 106,100	\$ 23,854
Grants	20,087	57,000
Pledges	9,500	16,000
Other	15,440	27,871
Total Accounts Receivable	\$ 151,127	\$ 124,725

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 REVENUE RECOGNITION (CONTINUED)

Deferred revenue consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Membership Dues	\$ 596,134	\$ 423,899
Annual Meeting Exhibit and Sponsorship	561,162	632,186
Abstract Fees	134,775	65,775
Other	3,300	1,600
Grants	50,705	256,476
Total Deferred Revenue	<u>\$ 1,346,076</u>	<u>\$ 1,379,936</u>

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of goods or services:

	<u>2021</u>	<u>2020</u>
Revenue Recognized at a Point in Time:		
Publications and Journals	\$ 408,550	\$ 484,637
Other Revenue	683,015	256,209
Total	<u>1,091,565</u>	<u>740,846</u>
Revenue Recognized Over Time:		
Membership Dues	917,580	971,578
Registration and Exhibition Fees	2,855,372	4,759,587
Total	<u>3,772,952</u>	<u>5,731,165</u>
Revenue Subject to Grants and Contributions Guidance	<u>2,194,301</u>	<u>4,126,535</u>
Total Support	<u>\$ 7,058,818</u>	<u>\$ 10,598,546</u>

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Organization has an employment contract with its executive director through December 31, 2022. The contract provides for the liability of one month of base compensation per year of employment with a maximum of six months of base salary if the agreement is terminated without cause. This contingent liability is not reflected in the accompanying consolidated financial statements.

The Organization has commitments for hotel space to hold future meetings and courses. The contracts specify that, if cancelled, the Organization may be subject to substantial cancellation penalties based on the amount of time remaining before the reservation dates.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 LEASE COMMITMENTS

The Organization entered into a lease agreement in Chicago, Illinois, for office space beginning April 1, 2015, for a period of five years. The office space lease provides for escalation of rents over the lease term. The Organization received five months of abated rent upon the commencement of the lease. The effects of the scheduled rent increases, including the value of the abated rent, are being recognized by the Organization on a straight-line basis over the life of the lease. The unrecognized portion of the rent increases are reflected as deferred rent (a liability) on the accompanying consolidated statements of financial position. Effective September 1, 2018, the lease was extended to March 31, 2025, and the amount of office space was increased. Rent expense for the years ended June 30, 2021 and 2020 was \$263,354 and \$270,176, respectively.

A summary of minimum future payments under the lease agreement is as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 253,706
2023	257,217
2024	260,729
2025	197,522
Total	<u>\$ 969,174</u>

NOTE 11 ENDOWMENT FUNDS

The Organization's endowment funds consist of seven individual funds established for a variety of purposes. The endowment funds include both donor-restricted funds and funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts 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 Organization classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment to be held in perpetuity, and (c) accumulations to the endowment to be held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters

The Organization has adopted investment and ending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under the policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Consumer Price Index by 6% annually while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments and to achieve its long-term return objectives within prudent risk constraints.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The amounts appropriated for distribution by the Organization varies for each fund. For the donor-restricted funds, the Organization will not appropriate any funds for distribution until the board of directors believes the fund has reached a sufficient value to meet the spending objectives. For the Long-Term Reserve Fund, the Organization has a policy of appropriating for distribution each year 4% of the endowment fund's average fair value over the previous twenty quarters. For the Lennox and Lombroso Fund, the Organization has a policy of appropriating for distribution each year 4.5% of the endowment fund's average fair value over the previous 20 quarters. In establishing these policies, the Organization considered the long-term expected return on its endowment.

Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow while providing a predictable stream of funding to programs supported by its endowment funds. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund

The endowment net assets consisted of the following as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 1,831,583	\$ 1,831,583
Accumulated Investment Gains	-	1,275,459	1,275,459
Total Donor-Restricted Endowment Funds	-	3,107,042	3,107,042
Board-Designated Endowment Funds:			
Susan Spencer Fund	401,087	-	401,087
Rebecca Goldberg-Kaufman Ethical Neuropsychiatry Fund	105,891	-	105,891
Lennox and Lombroso Fund	6,494,845	-	6,494,845
Long-Term Reserve Fund	6,611,914	-	6,611,914
Total Board-Designated Endowment Funds	13,613,737	-	13,613,737
Total Endowment Funds	<u>\$ 13,613,737</u>	<u>\$ 3,107,042</u>	<u>\$ 16,720,779</u>

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Endowment Net Asset Composition by Type of Fund (Continued)

The endowment net assets consisted of the following as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 1,798,659	\$ 1,798,659
Accumulated Investment Gains	-	547,293	547,293
Total Donor-Restricted Endowment Funds	-	2,345,952	2,345,952
Board-Designated Endowment Funds:			
Susan Spencer Fund	401,087	-	401,087
Rebecca Goldberg-Kaufman Ethical Neuropsychiatry Fund	105,891	-	105,891
Lennox and Lombroso Fund	5,166,328	-	5,166,328
Long-Term Reserve Fund	5,115,462	-	5,115,462
Total Board-Designated Endowment Funds	10,788,768	-	10,788,768
Total Endowment Funds	<u>\$ 10,788,768</u>	<u>\$ 2,345,952</u>	<u>\$ 13,134,720</u>

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. There were no fund deficiencies as of June 30, 2021 and 2020.

Changes in Endowment Net Assets

The endowment net activity consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds as of June 30, 2019	\$ 10,237,237	\$ 2,107,992	\$ 12,345,229
Investment Return:			
Investment Income, Net	180,364	47,512	227,876
Net Appreciation	215,257	32,551	247,808
Total Investment Return	395,621	80,063	475,684
Contributions	311,880	211,870	523,750
Amounts Appropriated for Expenditure	(155,970)	(53,973)	(192,361)
Endowment Funds as of June 30, 2020	10,788,768	2,345,952	13,134,720
Investment Return:			
Investment Income, Net	210,562	57,968	268,530
Net Appreciation	2,787,988	727,824	3,515,812
Total Investment Return	2,998,550	785,792	3,784,342
Contributions	25,104	32,925	58,029
Amounts Appropriated for Expenditure	(198,685)	(57,627)	(256,312)
Endowment Funds as of June 30, 2021	<u>\$ 13,613,737</u>	<u>\$ 3,107,042</u>	<u>\$ 16,720,779</u>

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 RETIREMENT PLAN

The Organization has a 401(k) savings plan for the benefit of its employees. For every dollar the employee puts into the plan, the Organization will match dollar for dollar up to 3% of base salary, then \$0.50 per dollar, up to 5% of base salary for a maximum match of 4%. The employee is eligible on the first day of the month following the first 30 days of employment and 100% vested immediately. The Organization contributed \$70,962 and \$62,923 to the plan during the years ended June 30, 2021 and 2020, respectively.

NOTE 13 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations, investment performance and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 14 PAYROLL PROTECTION PROGRAM LOAN

On March 27, 2020, the CARES Act was signed into law. The CARES Act established a Paycheck Protection Program through the U.S. Small Business Administration. The Organization received a \$351,764 loan through this program. The loan contains a provision that enables the borrower to apply for forgiveness related to eligible costs spent over an eligible period after the loan is funded. Eligible costs relate primarily to payroll, rent, and utility payments. The portion of the loan that is not forgiven is due within two years and bears interest at a rate of 1%. On December 16, 2020, the Organization received notification from their financial institution that forgiveness had been achieved and that the loan is considered paid in full. The gain for this forgiveness has been recognized during the year ending June 30, 2021.

The Organization received a second draw from the payroll protection program loan of \$403,752. These funds must be used in accordance with program requirements. Additionally, some or all of the funds may be forgiven based on compliance with program requirements and approval by the SBA.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

**AMERICAN EPILEPSY SOCIETY, INC. AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15 CASH FLOW DISCLOSURES

Cash paid for interest and taxes was \$989 and \$-0- for the year ended June 30, 2021, respectively. Cash paid for interest and taxes was \$664 and \$19,211 for the year ended June 30, 2020, respectively. The Organization had capitalized software costs during the year ended June 30, 2021, of which \$33,760 was included in accounts payable at June 30, 2021. The Organization had no noncash investing or financing transactions during the year ended June 30, 2020.

NOTE 16 SUBSEQUENT EVENTS

Management evaluated subsequent events through February 24, 2022, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to February 24, 2022, that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the consolidated financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2021.

NOTE 17 RECENT ACCOUNTING PRONOUNCEMENTS

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending June 30, 2023. Early adoption is permitted.

Management is evaluating the impact of this standard on the Organization's consolidated financial statements.

**AMERICAN EPILEPSY SOCIETY, INC. (SOCIETY) AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING (TRUST)
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	<u>Society</u>	<u>Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,147,853	\$ 22,919	\$ -	\$ 5,170,772
Accounts Receivable	268,847	-	(117,720)	151,127
Investments, Other	3,173,746	-	-	3,173,746
Prepaid Expenses	300,755	-	-	300,755
Total Current Assets	<u>8,891,201</u>	<u>22,919</u>	<u>(117,720)</u>	<u>8,796,400</u>
PROPERTY AND EQUIPMENT				
Leasehold Improvements	147,795	-	-	147,795
Computers and Equipment	433,393	-	-	433,393
Furniture and Fixtures	100,056	-	-	100,056
Total	<u>681,244</u>	<u>-</u>	<u>-</u>	<u>681,244</u>
Less: Accumulated Depreciation	<u>197,307</u>	<u>-</u>	<u>-</u>	<u>197,307</u>
Total Property and Equipment	<u>483,937</u>	<u>-</u>	<u>-</u>	<u>483,937</u>
OTHER ASSETS				
Investments, Endowment Funds	10,248,853	6,471,926	-	16,720,779
Security Deposits	34,840	-	-	34,840
Total Other Assets	<u>10,283,693</u>	<u>6,471,926</u>	<u>-</u>	<u>16,755,619</u>
Total Assets	<u>\$ 19,658,831</u>	<u>\$ 6,494,845</u>	<u>\$ (117,720)</u>	<u>\$ 26,035,956</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 393,455	\$ 117,720	\$ (117,720)	\$ 393,455
Deferred Rent	42,937	-	-	42,937
Deferred Revenue	1,346,076	-	-	1,346,076
Paycheck Protection Program Loan	403,752	-	-	403,752
Total Liabilities	<u>2,186,220</u>	<u>117,720</u>	<u>(117,720)</u>	<u>2,186,220</u>
NET ASSETS				
Without Donor Restrictions	10,779,519	6,377,125	-	17,156,644
With Donor Restrictions	6,693,092	-	-	6,693,092
Total Net Assets	<u>17,472,611</u>	<u>6,377,125</u>	<u>-</u>	<u>23,849,736</u>
Total Liabilities and Net Assets	<u>\$ 19,658,831</u>	<u>\$ 6,494,845</u>	<u>\$ (117,720)</u>	<u>\$ 26,035,956</u>

**AMERICAN EPILEPSY SOCIETY, INC. (SOCIETY) AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING (TRUST)
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	<u>Society</u>	<u>Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 6,416,038	\$ -	\$ -	\$ 6,416,038
Accounts Receivable	211,525	-	(86,800)	124,725
Investments, Other	1,003,142	-	-	1,003,142
Prepaid Expenses	302,001	-	-	302,001
Total Current Assets	<u>7,932,706</u>	<u>-</u>	<u>(86,800)</u>	<u>7,845,906</u>
PROPERTY AND EQUIPMENT				
Leasehold Improvements	147,795	-	-	147,795
Computers and Equipment	288,220	-	-	288,220
Furniture and Fixtures	100,056	-	-	100,056
Total	<u>536,071</u>	<u>-</u>	<u>-</u>	<u>536,071</u>
Less: Accumulated Depreciation	284,805	-	-	284,805
Total Property and Equipment	<u>251,266</u>	<u>-</u>	<u>-</u>	<u>251,266</u>
OTHER ASSETS				
Investments, Endowment Funds	7,968,392	5,166,328	-	13,134,720
Security Deposits	34,840	-	-	34,840
Total Other Assets	<u>8,003,232</u>	<u>5,166,328</u>	<u>-</u>	<u>13,169,560</u>
 Total Assets	 <u>\$ 16,187,204</u>	 <u>\$ 5,166,328</u>	 <u>\$ (86,800)</u>	 <u>\$ 21,266,732</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 358,505	\$ 86,800	\$ (86,800)	\$ 358,505
Deferred Revenue	1,379,936	-	-	1,379,936
Paycheck Protection Program Loan	351,764	-	-	351,764
Total Liabilities	<u>2,090,205</u>	<u>86,800</u>	<u>(86,800)</u>	<u>2,090,205</u>
NET ASSETS				
Without Donor Restrictions	8,695,552	5,079,528	-	13,775,080
With Donor Restrictions	5,401,447	-	-	5,401,447
Total Net Assets	<u>14,096,999</u>	<u>5,079,528</u>	<u>-</u>	<u>19,176,527</u>
 Total Liabilities and Net Assets	 <u>\$ 16,187,204</u>	 <u>\$ 5,166,328</u>	 <u>\$ (86,800)</u>	 <u>\$ 21,266,732</u>

**AMERICAN EPILEPSY SOCIETY, INC. (SOCIETY) AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING (TRUST)
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Society</u>	<u>Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
SUPPORT				
Membership Dues	\$ 917,580	\$ -	\$ -	\$ 917,580
Publications and Journals	408,550	-	-	408,550
Registration and Exhibition Fees	2,855,372	-	-	2,855,372
Contributions and Sponsorships	778,099	34,329	(152,040)	660,388
Educational Grants	1,533,913	-	-	1,533,913
Other Revenue	683,015	-	-	683,015
Total Support	<u>7,176,529</u>	<u>34,329</u>	<u>(152,040)</u>	<u>7,058,818</u>
EXPENSES				
Program	5,640,565	152,040	(152,040)	5,640,565
General Operations	771,738	-	-	771,738
Fundraising	167,197	-	-	167,197
Total Expenses	<u>6,579,500</u>	<u>152,040</u>	<u>(152,040)</u>	<u>6,579,500</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	597,029	(117,711)	-	479,318
INVESTMENT INCOME, NET	<u>2,778,583</u>	<u>1,415,308</u>	<u>-</u>	<u>4,193,891</u>
CHANGE IN NET ASSETS	3,375,612	1,297,597	-	4,673,209
Net Assets - Beginning of Year	<u>14,096,999</u>	<u>5,079,528</u>	<u>-</u>	<u>19,176,527</u>
NET ASSETS - END OF YEAR	<u>\$ 17,472,611</u>	<u>\$ 6,377,125</u>	<u>\$ -</u>	<u>\$ 23,849,736</u>

**AMERICAN EPILEPSY SOCIETY, INC. (SOCIETY) AND
THE LENNOX AND LOMBROSO FUND FOR RESEARCH AND TRAINING (TRUST)
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Society</u>	<u>Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
SUPPORT				
Membership Dues	\$ 971,578	\$ -	\$ -	\$ 971,578
Publications and Journals	484,637	-	-	484,637
Registration and Exhibition Fees	4,759,587	-	-	4,759,587
Contributions and Sponsorships	3,043,989	69,180	(141,585)	2,971,584
Educational Grants	1,154,951	-	-	1,154,951
Other Revenue	256,209	-	-	256,209
Total Support	<u>10,670,951</u>	<u>69,180</u>	<u>(141,585)</u>	<u>10,598,546</u>
EXPENSES				
Program	7,014,113	141,585	(141,585)	7,014,113
General Operations	935,625	14,386	-	950,011
Fundraising	227,483	-	-	227,483
Total Expenses	<u>8,177,221</u>	<u>155,971</u>	<u>(141,585)</u>	<u>8,191,607</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	2,493,730	(86,791)	-	2,406,939
INVESTMENT INCOME, NET	<u>324,162</u>	<u>234,402</u>	<u>-</u>	<u>558,564</u>
CHANGE IN NET ASSETS	2,817,892	147,611	-	2,965,503
Net Assets - Beginning of Year	<u>11,279,107</u>	<u>4,931,917</u>	<u>-</u>	<u>16,211,024</u>
NET ASSETS - END OF YEAR	<u>\$ 14,096,999</u>	<u>\$ 5,079,528</u>	<u>\$ -</u>	<u>\$ 19,176,527</u>

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

