

**COMBINED FINANCIAL STATEMENTS**

**EPILEPSY FOUNDATION AND THE  
EPILEPSY RESEARCH FOUNDATION**

**FOR THE YEARS ENDED  
JUNE 30, 2009 AND 2008**

# EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Epilepsy Foundation and the Epilepsy Research Foundation  
Landover, Maryland

We have audited the accompanying combined statements of financial position of the Epilepsy Foundation and the Epilepsy Research Foundation (collectively, the Organizations) as of June 30, 2009 and 2008, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of June 30, 2009 and 2008, and their combined changes in net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

October 12, 2009

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**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**COMBINED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2009 AND 2008**

<b>ASSETS</b>		<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ <u>1,001,199</u>	\$ <u>2,003,642</u>
Receivables:			
Due from affiliates		86,800	67,457
Government grants receivable		894,979	955,891
Contributions receivable, current portion (Note 3)		4,212,166	5,081,653
Note receivable (Note 4)		122,083	104,668
Less allowance for doubtful accounts		<u>(50,000)</u>	<u>(47,961)</u>
Total receivables		<u>5,266,028</u>	<u>6,161,708</u>
Prepaid expenses		174,410	226,862
Inventory		<u>54,256</u>	<u>73,196</u>
Total current assets		<u>6,495,893</u>	<u>8,465,408</u>
<b>INVESTMENTS (Notes 2 and 13)</b>		<u>13,640,399</u>	<u>16,085,529</u>
<b>FIXED ASSETS</b>			
Furniture and equipment		952,611	865,377
Computer software		1,706,474	1,475,214
Leasehold improvements		<u>104,846</u>	<u>102,986</u>
		2,763,931	2,443,577
Less: Accumulated depreciation and amortization		<u>(2,205,349)</u>	<u>(2,004,243)</u>
Net fixed assets		<u>558,582</u>	<u>439,334</u>
<b>NON-CURRENT ASSETS</b>			
Contributions receivable, net of current portion (Note 3)		493,060	527,000
Beneficial interest in perpetual trusts (Note 13)		<u>2,640,444</u>	<u>3,535,541</u>
Total non-current assets		<u>3,133,504</u>	<u>4,062,541</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 23,828,378</u></b>	<b><u>\$ 29,052,812</u></b>

## LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 1,721,090	\$ 2,037,049
Due to affiliates	890,261	341,565
Grants payable, current portion (Note 12)	3,035,424	2,766,758
Deferred revenue	<u>59,005</u>	<u>63,207</u>
Total current liabilities	<u>5,705,780</u>	<u>5,208,579</u>
<b>LONG-TERM LIABILITIES</b>		
Grants payable, net of current portion (Note 12)	<u>294,700</u>	<u>335,103</u>
Total liabilities	<u>6,000,480</u>	<u>5,543,682</u>
<b>NET ASSETS</b>		
Unrestricted	2,177,636	5,263,739
Temporarily restricted (Note 5)	11,984,467	13,694,499
Permanently restricted (Note 7)	<u>3,665,795</u>	<u>4,550,892</u>
Total net assets	<u>17,827,898</u>	<u>23,509,130</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 23,828,378</u></b>	<b><u>\$ 29,052,812</u></b>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**  
**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<b>2009</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUE</b>				
Contributions	\$ 4,796,535	\$ 3,663,279	\$ 10,000	\$ 8,469,814
Government grants	5,128,379	-	-	5,128,379
Affiliate fees	497,846	-	-	497,846
Sales of materials, net of direct expenses of \$60,536 and \$65,434 for 2009 and 2008, respectively	106,632	-	-	106,632
Special events, net of direct expenses of \$710,416 and \$816,009 for 2009 and 2008, respectively	656,266	-	-	656,266
Investment income (loss) (Note 2)	(865,780)	(1,439,244)	-	(2,305,024)
Miscellaneous revenue	90,673	29,830	-	120,503
Change in value of split interest agreements	(23,444)	18,985	(895,097)	(899,556)
Recovery (Provision) for uncollectible pledges (Note 3)	(37,841)	-	-	(37,841)
Net assets released from donor restrictions (Note 6)	<u>3,982,882</u>	<u>(3,982,882)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>14,332,148</u>	<u>(1,710,032)</u>	<u>(885,097)</u>	<u>11,737,019</u>
<b>EXPENSES</b>				
Program Services:				
Research	3,573,229	-	-	3,573,229
Public Health Education	2,833,025	-	-	2,833,025
Professional Education and Training	234,076	-	-	234,076
Community Services	5,891,052	-	-	5,891,052
Patient Services	<u>1,106,415</u>	<u>-</u>	<u>-</u>	<u>1,106,415</u>
Total program services	<u>13,637,797</u>	<u>-</u>	<u>-</u>	<u>13,637,797</u>
Supporting Services:				
Management and General	2,245,665	-	-	2,245,665
Fundraising	<u>1,534,789</u>	<u>-</u>	<u>-</u>	<u>1,534,789</u>
Total supporting services	<u>3,780,454</u>	<u>-</u>	<u>-</u>	<u>3,780,454</u>
Total expenses	<u>17,418,251</u>	<u>-</u>	<u>-</u>	<u>17,418,251</u>
Changes in net assets	(3,086,103)	(1,710,032)	(885,097)	(5,681,232)
Net assets at beginning of year	<u>5,263,739</u>	<u>13,694,499</u>	<u>4,550,892</u>	<u>23,509,130</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,177,636</u></b>	<b><u>\$ 11,984,467</u></b>	<b><u>\$ 3,665,795</u></b>	<b><u>\$ 17,827,898</u></b>

See accompanying notes to combined financial statements.

<b>2008</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 5,083,052	\$ 4,066,927	\$ -	\$ 9,149,979
4,309,637	-	-	4,309,637
547,827	-	-	547,827
122,472	-	-	122,472
1,311,888	-	-	1,311,888
(298,317)	(756,782)	-	(1,055,099)
199,887	148,850	-	348,737
304,500	-	-	304,500
(25,045)	1,529	(95,280)	(118,796)
<u>5,030,132</u>	<u>(5,030,132)</u>	<u>-</u>	<u>-</u>
<u>16,586,033</u>	<u>(1,569,608)</u>	<u>(95,280)</u>	<u>14,921,145</u>
3,635,432	-	-	3,635,432
2,594,291	-	-	2,594,291
371,317	-	-	371,317
5,348,678	-	-	5,348,678
<u>1,131,187</u>	<u>-</u>	<u>-</u>	<u>1,131,187</u>
<u>13,080,905</u>	<u>-</u>	<u>-</u>	<u>13,080,905</u>
2,174,673	-	-	2,174,673
<u>1,521,359</u>	<u>-</u>	<u>-</u>	<u>1,521,359</u>
<u>3,696,032</u>	<u>-</u>	<u>-</u>	<u>3,696,032</u>
<u>16,776,937</u>	<u>-</u>	<u>-</u>	<u>16,776,937</u>
(190,904)	(1,569,608)	(95,280)	(1,855,792)
<u>5,454,643</u>	<u>15,264,107</u>	<u>4,646,172</u>	<u>25,364,922</u>
<b><u>\$ 5,263,739</u></b>	<b><u>\$ 13,694,499</u></b>	<b><u>\$ 4,550,892</u></b>	<b><u>\$ 23,509,130</u></b>

See accompanying notes to combined financial statements.

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Program Services</b>			
	<b>Research</b>	<b>Public Health Education</b>	<b>Professional Education and Training</b>	<b>Community Services</b>
Salaries	\$ 226,426	\$ 995,371	\$ -	\$ 2,214,988
Temporary personnel	414	29,427	-	28,729
Employee benefits (Note 10)	43,577	202,413	-	453,598
<b>Total salary and benefit expenses</b>	<b>270,417</b>	<b>1,227,211</b>	<b>-</b>	<b>2,697,315</b>
Professional fees and contract services	3,081	615,292	64,140	362,841
Membership	1,134	2,904	-	46,560
Supplies and materials	3,670	130,533	1,377	28,504
Telephone	9,964	19,002	780	31,167
Postage and shipping	485	169,286	2,111	15,402
Occupancy (Note 8)	182,937	145,527	11,971	301,486
Equipment maintenance	49,999	3,426	278	7,396
Printing and publications	10,274	285,046	77,184	176,904
Travel and meetings	49,364	196,296	13,343	608,075
Payments to affiliates	-	-	59,778	1,536,765
Awards and grants	2,901,000	-	-	-
Miscellaneous	43,370	689	3	300
Depreciation and amortization	47,534	37,813	3,111	78,337
	<b>3,302,812</b>	<b>1,605,814</b>	<b>234,076</b>	<b>3,193,737</b>
<b>TOTAL</b>	<b>\$ 3,573,229</b>	<b>\$ 2,833,025</b>	<b>\$ 234,076</b>	<b>\$ 5,891,052</b>

<b>Supporting Services</b>					
<b>Patient Services</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 501,750	\$ 3,938,535	\$ 1,320,748	\$ 648,642	\$ 1,969,390	\$ 5,907,925
414	58,984	30,375	99	30,474	89,458
104,442	804,030	275,840	131,984	407,824	1,211,854
606,606	4,801,549	1,626,963	780,725	2,407,688	7,209,237
9,358	1,054,712	308,397	211,633	520,030	1,574,742
2,284	52,882	3,578	7,757	11,335	64,217
12,232	176,316	29,784	144,504	174,288	350,604
6,881	67,794	10,013	7,326	17,339	85,133
15,021	202,305	5,152	159,457	164,609	366,914
56,645	698,566	115,954	90,523	206,477	905,043
1,323	62,422	41,510	1,825	43,335	105,757
95,754	645,162	21,574	45,355	66,929	712,091
42,657	909,735	44,222	64,840	109,062	1,018,797
216,600	1,813,143	-	-	-	1,813,143
26,137	2,927,137	-	-	-	2,927,137
199	44,561	8,644	427	9,071	53,632
14,718	181,513	29,874	20,417	50,291	231,804
499,809	8,836,248	618,702	754,064	1,372,766	10,209,014
<b>\$ 1,106,415</b>	<b>\$ 13,637,797</b>	<b>\$ 2,245,665</b>	<b>\$ 1,534,789</b>	<b>\$ 3,780,454</b>	<b>\$ 17,418,251</b>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Program Services</b>			
	<b>Research</b>	<b>Public Health Education</b>	<b>Professional Education and Training</b>	<b>Community Services</b>
Salaries	\$ 233,790	\$ 825,353	\$ 17,303	\$ 1,824,505
Temporary personnel	3,139	48,013	321	23,981
Employee benefits (Note 10)	49,517	172,692	3,796	393,851
<b>Total salary and benefit expenses</b>	<b>286,446</b>	<b>1,046,058</b>	<b>21,420</b>	<b>2,242,337</b>
Professional fees and contract services	7,870	370,533	78,688	507,505
Membership	2,139	3,687	71	46,881
Supplies and materials	5,379	164,071	1,793	20,757
Telephone	10,556	18,544	1,393	36,406
Postage and shipping	5,760	222,958	7,458	24,497
Occupancy (Note 8)	204,218	132,693	18,974	280,973
Printing and publications	6,534	254,926	143,496	138,897
Travel and meetings	69,827	189,778	25,933	653,781
Payments to affiliates	336	149,696	67,100	1,314,275
Awards and grants	2,941,361	1,217	82	11,635
Miscellaneous	47,374	6,139	44	655
Depreciation and amortization	47,632	33,991	4,865	70,079
	<b>3,348,986</b>	<b>1,548,233</b>	<b>349,897</b>	<b>3,106,341</b>
<b>TOTAL</b>	<b>\$ 3,635,432</b>	<b>\$ 2,594,291</b>	<b>\$ 371,317</b>	<b>\$ 5,348,678</b>

See accompanying notes to combined financial statements.

<b>Supporting Services</b>					
<b>Patient Services</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 592,889	\$ 3,493,840	\$ 1,289,588	\$ 568,327	\$ 1,857,915	\$ 5,351,755
1,500	76,954	6,554	10,275	16,829	93,783
123,945	743,801	267,641	120,248	387,889	1,131,690
718,334	4,314,595	1,563,783	698,850	2,262,633	6,577,228
23,053	987,649	299,823	253,076	552,899	1,540,548
3,002	55,780	3,818	8,279	12,097	67,877
3,563	195,563	28,056	127,296	155,352	350,915
7,241	74,140	10,938	7,741	18,679	92,819
13,860	274,533	6,412	200,750	207,162	481,695
58,034	694,892	129,708	83,630	213,338	908,230
52,517	596,370	20,508	23,091	43,599	639,969
32,876	972,195	61,813	68,543	130,356	1,102,551
171,986	1,703,393	256	29,249	29,505	1,732,898
31,766	2,986,061	2,755	741	3,496	2,989,557
134	54,346	18,310	180	18,490	72,836
14,821	171,388	28,493	19,933	48,426	219,814
412,853	8,766,310	610,890	822,509	1,433,399	10,199,709
<b>\$ 1,131,187</b>	<b>\$ 13,080,905</b>	<b>\$ 2,174,673</b>	<b>\$ 1,521,359</b>	<b>\$ 3,696,032</b>	<b>\$ 16,776,937</b>

See accompanying notes to combined financial statements.

## EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (5,681,232)	\$ (1,855,792)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	231,804	219,814
Loss on disposal of property and equipment	3,505	17,879
Realized loss on investments	851,939	155,106
Unrealized loss in investments	1,960,776	1,750,928
Change in value of split interest agreements	895,097	95,280
Contribution of permanently restricted net assets	(10,000)	-
(Increase) decrease in:		
Receivables	929,620	495,003
Prepaid expenses	52,452	56,669
Inventory	18,940	8,233
Increase (decrease) in:		
Accounts payable and accrued liabilities	(315,961)	730,042
Due to affiliates	548,696	137,365
Grants payable	44,263	562,369
Deferred revenue	<u>179,798</u>	<u>(189,494)</u>
Net cash provided (used) by operating activities	<u>(290,303)</u>	<u>2,183,402</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(354,557)	(120,995)
Purchases of investments	(2,435,304)	(3,061,461)
Proceeds from sales of investments	<u>2,067,721</u>	<u>2,767,046</u>
Net cash used by investing activities	<u>(722,140)</u>	<u>(415,410)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contribution of permanently restricted net assets	<u>10,000</u>	<u>-</u>
Net cash provided by financing activities	<u>10,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,002,443)	1,767,992
Cash and cash equivalents at beginning of year	<u>2,003,642</u>	<u>235,650</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,001,199</u></b>	<b><u>\$ 2,003,642</u></b>

See accompanying notes to combined financial statements.

# EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

## NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The Epilepsy Foundation (the Foundation) is a non-profit organization, incorporated under the laws of the State of Delaware. The Foundation was established to promote research into the causes and treatments of epilepsy, to support educational and vocational programs for persons with epilepsy, and to provide educational information about epilepsy to the general public. The Foundation is responsible for national programs and the dissemination of information, technical and administrative assistance to its affiliates, and the development of program and operational standards for its affiliates. The affiliates, which are separately incorporated and granted tax exemption, are responsible for delivering programs and information at the local level. The accompanying combined financial statements do not include the activities of the affiliates.

The Epilepsy Research Foundation (the Research Foundation) was organized in June 2003 as a Commonwealth of Virginia not-for-profit corporation, to be a supporting organization to both the Foundation and The Epilepsy Therapy Project, to facilitate joint fundraising efforts and develop an innovative research program. The Research Foundation's Board of Directors is composed of four members appointed by the Foundation's Board of Directors and four members appointed by The Epilepsy Therapy Development Project's Board of Directors.

#### Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

#### Principles of combination -

These financial statements combine the accounts of the Epilepsy Foundation and the Epilepsy Research Foundation (collectively, the Organizations) pursuant to the criterion established by Statement of Position (SOP) 94-3, Reporting of Related Entities by Not-for-Profit Organizations, issued by the American Institute of Certified Public Accountants. Under SOP 94-3, combination is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in combination.

#### Cash and cash equivalents -

Cash equivalents at June 30, 2009 and 2008 totaled \$1,001,199 and \$2,003,642, respectively. The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Organizations maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

#### Investments -

Investments are recorded at market value. Realized and unrealized gains and losses are included in investment income in the Combined Statements of Activities and Changes in Net Assets.

## EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Fixed assets -

Fixed assets are stated at cost. Fixed assets costing in excess of \$500 are capitalized and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are depreciated over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

##### Income taxes -

The Organizations are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Organizations are not private foundations.

##### Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, the Organizations are not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Organizations have not implemented those provisions in the 2009 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, the Organizations continue to utilize their prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of June 30, 2009 and 2008, the Organizations have no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements.

##### Inventory -

Inventory consists of publications and educational materials on hand at the end of the year, which are recorded at the lower of cost or market value using the weighted average method of inventory.

##### Split interest agreements -

A split interest agreement is created when a donor contributes assets directly to a non-profit organization or places them in a trust, in which the non-profit organization has a beneficial interest but is not the sole beneficiary.

## EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Split interest agreements (continued) -

A summary of the types of irrevocable split interest agreements which the Foundation has recorded are as follows:

- **Perpetual Trust** - The Foundation is a beneficiary under several perpetual trusts. While the Foundation cannot spend its interest in the corpus of these perpetual trusts, it does receive annual distributions which can be spent based on the donor's intent. The fair value of the Foundation's interest in the trust assets is recorded as a permanently restricted contribution at the time its interest becomes irrevocable. Changes in the perpetual trust's value are recorded on the Combined Statements of Activities and Changes in Net Assets as a change in value of split interest agreements.
- **Pooled Income** - The Foundation maintains a pooled income fund. Donors can contribute to the fund and receive the income earned until their death, at which time the assets are available to the Foundation. Donations to the pooled income fund are recorded at their fair value when received, discounted for the estimated time period until the donor's death. The difference between the fair value of the assets when received and the revenue recognized is recorded as deferred revenue, which is then amortized over the life expectancy of the donors. At June 30, 2009 and 2008, the market value of the pooled income fund investments was \$230,219 and \$283,590, respectively. Furthermore, the related deferred revenue was \$27,858 and \$46,843 as of June 30, 2009 and 2008, respectively.
- **Charitable Gift Annuities** - Donors contribute assets to the Foundation in exchange for distributions of a fixed amount annually for life. A liability is recorded at the present value of future cash flows expected to be paid to the donor. The difference between the fair value of the assets when received and the related liability is recognized as contribution revenue. At June 30, 2009 and 2008, the market value of the charitable gift annuity investments was \$157,017 and \$222,011, respectively. Furthermore, the related liability was \$115,410 and \$132,625 as of June 30, 2009 and 2008, respectively.

Grants payable -

Unconditional grant obligations are recognized once an award letter has been issued.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

## EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Other revenue -

Revenue from affiliate dues, sale of materials, special events and government grants is recognized in the year in which it is earned. Amounts received from these sources but not yet earned are recorded as deferred revenue. Conversely, amounts earned but not yet received are recorded as receivables.

Use of estimates -

The preparation of combined 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation.

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 that such changes could materially affect the amounts reported in the combined financial statements.

Fair value measurements -

The Organizations adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

**2. INVESTMENTS**

Investments consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
	<b>Market Value</b>	<b>Market Value</b>
Equities	\$ 6,676,222	\$ 9,053,264
Fixed income	<u>6,964,177</u>	<u>7,032,265</u>
	<b><u>\$13,640,399</u></b>	<b><u>\$16,085,529</u></b>

Included in investment loss are the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 507,691	\$ 850,935
Unrealized loss	(1,960,776)	(1,750,928)
Realized loss	<u>(851,939)</u>	<u>(155,106)</u>
<b>TOTAL INVESTMENT LOSS</b>	<b><u>\$(2,305,024)</u></b>	<b><u>\$(1,055,099)</u></b>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**3. CONTRIBUTIONS RECEIVABLE**

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. Receivables which management determines to be uncollectible are written off. Management has established an allowance for doubtful accounts for those receivables it does not believe to be collectible. In addition, management has recorded a provision for uncollectible pledges which is netted against revenue in the accompanying financial statements. During 2009, an additional provision for uncollectible accounts in the amount of \$37,841 was recorded. During 2008 there was a recovery of contributions previously written off. This recovery totaled \$304,500. There was no recovery of uncollectible pledges during 2009. Contributions receivable that are to be collected within one year for the years ended June 30, 2009 and 2008 are \$4,212,166 and \$5,081,653, respectively, and are presented as a current asset on the accompanying Combined Statements of Financial Position. Contributions receivable between one and five years for the years ended June 30, 2009 and 2008 have been discounted to their present values of \$493,060 and \$527,000, respectively, and are presented as a non-current asset.

Grants are due as follows at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Less than one-year	\$ 4,212,166	\$ 5,081,653
One to five years	<u>493,060</u>	<u>527,000</u>
Total	4,705,226	5,608,653
Less: Reserve for uncollectible grants	<u>(50,000)</u>	<u>(47,961)</u>
	<b><u>\$ 4,655,226</u></b>	<b><u>\$ 5,560,692</u></b>

**4. NOTE RECEIVABLE**

The Foundation signed an agreement with NeuroGenomeX, Inc. (NGI) on August 1, 2006. The agreement created a convertible note receivable due from NGI to the Foundation for the amount of \$100,000 to be converted by notice into shares of NGI at any point after NGI has closed upon \$500,000 or other funding. There is no security on this note. The note bears interest at the rate of 8% compounded annually from the date such monies were delivered to NGI, and the interest is added to the note balance. The balance on the note as of June 30, 2009 and 2008 was \$122,083 and 104,668, respectively.

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Research Activities	\$10,491,085	\$12,511,971
Public Health Education	319,185	207,435
Community Services	416,337	129,820
Patient Services	486,659	529,865
Pooled Income Fund	246,201	265,408
Time Restrictions	<u>25,000</u>	<u>50,000</u>
	<b><u>\$11,984,467</u></b>	<b><u>\$13,694,499</u></b>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**6. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses or by the passage of time which satisfied the restricted purposes specified by the donors:

	<u>2009</u>	<u>2008</u>
Research	\$ 3,208,715	\$ 3,230,493
Public Health Education	363,250	257,000
Community Services	158,482	1,208,752
Patient Services	227,435	304,887
Passage of Time	<u>25,000</u>	<u>29,000</u>
	<b><u>\$ 3,982,882</u></b>	<b><u>\$ 5,030,132</u></b>

**7. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consists of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Unrestricted Activities	\$ 1,605,750	\$ 1,991,834
Research Activities	1,608,442	1,998,594
National Epilepsy Library	20,000	20,000
Individuals or Organizations in Louisville, Kentucky	<u>431,603</u>	<u>540,464</u>
	<b><u>\$ 3,665,795</u></b>	<b><u>\$ 4,550,892</u></b>

**8. LEASE COMMITMENT**

The Foundation leases office space under an operating lease with a remaining noncancellable term in excess of one year. The office lease provides for escalation of three percent annually. Rent expense is recognized on a straight-line basis over the term of the lease. As of June 30, 2009 and 2008 there was \$495,785 and \$416,689, respectively, in deferred rent recorded in accounts payable and accrued liabilities in the accompanying combined financial statements. Rent expense for the years ended June 30, 2009 and 2008 was \$814,608 and \$757,705, respectively.

**Year Ended June 30,**

2010	\$ 728,856
2011	776,873
2012	802,293
2013	826,362
2014	851,153
Thereafter	<u>1,932,802</u>
	<b><u>\$ 5,918,339</u></b>

## EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

#### 9. CONTINGENCY

The Organizations receive grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2009. Audits through June 30, 2005 have been accepted by the United States Government. For audits subsequent to June 30, 2005, there exists a contingency that could require a refund of amounts received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

#### 10. PENSION PLAN

The Foundation has a 401(k) Thrift Plan under which the Foundation contributes six percent of each qualified employee's salary, plus up to a two percent matching contribution. Under the terms of this plan, all employees who meet minimum service and age requirements are eligible to participate. The Foundation's contributions to the pension plan for the years ended June 30, 2009 and 2008 were \$353,047 and \$320,012, respectively.

#### 11. ALLOCATION OF JOINT COSTS

For the years ended June 30, 2009 and 2008, the Foundation incurred joint costs of \$584,515 and \$653,132, respectively, related to educational information included in its fundraising appeals. Of those costs, \$307,925 and \$302,116, respectively, were allocated to fundraising expenses and \$276,590 and \$351,016, respectively, were allocated to Public Health Education for the years then ended.

#### 12. GRANTS PAYABLE

The Foundation awards research grants to researchers based on the merit of proposals submitted to a review committee. Researchers who accept Foundation grants are required to report the amount expended as well as the results and conclusions of their work. The grants are awarded to the universities or other organizations that the researchers are associated. The amounts owed to universities or other organizations were \$3,330,124 and \$3,101,861 at June 30, 2009 and 2008, respectively.

#### 13. FAIR VALUE MEASUREMENTS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**13. FAIR VALUE MEASUREMENTS (Continued)**

Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

**Level 2.** These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Combined Statements of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Category:</b>				
Investments	\$ 13,640,399	\$ -	\$ -	\$ 13,640,399
Beneficial Interest in Perpetual Trusts	<u>-</u>	<u>-</u>	<u>2,640,444</u>	<u>2,640,444</u>
<b>TOTAL</b>	<b><u>\$ 13,640,399</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,640,444</u></b>	<b><u>\$ 16,280,843</u></b>

**14. ENDOWMENT**

The Organizations' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift 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 Organizations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by SPMIFA.

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**14. ENDOWMENT (Continued)**

In accordance with SPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 1,025,352	\$ 1,025,352
Beneficial Interest in Perpetual Trusts	-	-	2,640,443	2,640,443
<b>TOTAL FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,665,795</b>	<b>\$ 3,665,795</b>

Changes in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 229,674	\$ 4,550,892	\$ 4,780,566
Investment income:				
Investment income	-	50,564	-	50,564
Net depreciation (realized and unrealized)	-	(280,238)	(895,097)	(1,175,335)
Total investment return	-	(229,674)	(895,097)	(1,124,771)
Contributions	-	-	10,000	10,000
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,665,795</b>	<b>\$ 3,665,795</b>

Endowment net asset composition by type of fund as of June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 1,015,352	\$ 1,015,352
Beneficial Interest in Perpetual Trusts	-	-	3,535,540	3,535,540
<b>TOTAL FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,550,892</b>	<b>\$ 4,550,892</b>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**14. ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 325,682	\$ 4,646,172	\$ 4,971,854
Investment income:				
Investment income	-	57,806	-	57,806
Net depreciation (realized and unrealized)	-	(153,814)	(95,280)	(249,094)
Total investment return	-	(96,008)	(95,280)	(191,288)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 229,674</b>	<b>\$ 4,550,892</b>	<b>\$ 4,780,566</b>

Funds with 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 SPMIFA requires the Organizations to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2009 and 2008, there were no deficiencies. Deficiencies of this type can be the result of unfavorable market fluctuations occurring after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters -

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organizations must hold in-perpetuity.

Under this policy, as approved by the Board of Directors, the endowment assets are invested with the Organizations' other investments in a manner that is intended to provide a reasonable annual growth of principal with preservation of principal as its primary goal and generation of income as a secondary goal.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Organizations invest in a mixture of cash, equity, and fixed income funds, with a target of 70% equity and 30% fixed income funds, a minimum of 40% and 25%, respectively, and no more than 10% cash, 75% equity and 60% fixed income.

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**14. ENDOWMENT (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Organizations try to maximize the spending objectives of the endowment fund, by spending as much of the investment earnings as prudent and practical in any given year.

**15. LINE OF CREDIT**

The Foundation has a \$1,500,000 line of credit with a financial institution, on a revolving term note. The interest rate on the line of credit at June 30, 2009 was 4.89%. The line of credit is secured by the Foundation's brokerage account with the same institution. As of June 30, 2009 and 2008, there was no balance outstanding.

**16. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through October 12, 2009, the date the financial statements were issued.



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL  
FINANCIAL INFORMATION**

To the Board of Directors  
Epilepsy Foundation and the Epilepsy Research Foundation  
Landover, Maryland

Our report on our audit of the basic financial statements of the Epilepsy Foundation and the Epilepsy Research Foundation appears on page 2. Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The information in Schedules 1 through 3 is presented for the purpose of additional analysis of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Gelman Rosenberg & Freedman*

October 12, 2009

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**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**COMBINING SCHEDULES OF FINANCIAL POSITION  
AS OF JUNE 30, 2009 AND 2008**

	2009			Total
	Epilepsy Foundation	Epilepsy Research Foundation	Eliminations	
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,001,199	\$ -	\$ -	\$ 1,001,199
Receivables:				
Due from affiliates	86,800	-	-	86,800
Due from Foundation	-	2,353,738	(2,353,738)	-
Government grants receivable	894,979	-	-	894,979
Contributions receivable, current portion	2,352,184	1,859,982	-	4,212,166
Note receivable	-	122,083	-	122,083
Less allowance for doubtful accounts	(50,000)	-	-	(50,000)
Total receivables	3,283,963	4,335,803	(2,353,738)	5,266,028
Prepaid expenses	174,410	-	-	174,410
Inventory	54,256	-	-	54,256
Total current assets	4,513,828	4,335,803	(2,353,738)	6,495,893
<b>INVESTMENTS</b>	13,640,399	-	-	13,640,399
<b>FIXED ASSETS</b>				
Furniture and equipment	952,611	-	-	952,611
Computer software	1,706,474	-	-	1,706,474
Leasehold improvements	104,846	-	-	104,846
	2,763,931	-	-	2,763,931
Less: Accumulated depreciation and amortization	(2,205,349)	-	-	(2,205,349)
Net fixed assets	558,582	-	-	558,582
<b>OTHER ASSETS</b>				
Contributions receivable, net of current portion	228,060	265,000	-	493,060
Beneficial interest in perpetual trusts	2,640,444	-	-	2,640,444
Total other assets	2,868,504	265,000	-	3,133,504
<b>TOTAL ASSETS</b>	<b>\$ 21,581,313</b>	<b>\$ 4,600,803</b>	<b>\$ (2,353,738)</b>	<b>\$ 23,828,378</b>

2008

<b>Epilepsy Foundation</b>	<b>Epilepsy Research Foundation</b>	<b>Eliminations</b>	<b>Total</b>
\$ 2,003,642	\$ -	\$ -	\$ 2,003,642
67,457	-	-	67,457
-	2,315,844	(2,315,844)	-
955,891	-	-	955,891
2,838,901	2,242,752	-	5,081,653
-	104,668	-	104,668
(47,961)	-	-	(47,961)
<u>3,814,288</u>	<u>4,663,264</u>	<u>(2,315,844)</u>	<u>6,161,708</u>
226,862	-	-	226,862
73,196	-	-	73,196
<u>6,117,988</u>	<u>4,663,264</u>	<u>(2,315,844)</u>	<u>8,465,408</u>
<u>16,085,529</u>	<u>-</u>	<u>-</u>	<u>16,085,529</u>
865,377	-	-	865,377
1,475,214	-	-	1,475,214
102,986	-	-	102,986
<u>2,443,577</u>	<u>-</u>	<u>-</u>	<u>2,443,577</u>
(2,004,243)	-	-	(2,004,243)
<u>439,334</u>	<u>-</u>	<u>-</u>	<u>439,334</u>
13,000	514,000	-	527,000
3,535,541	-	-	3,535,541
<u>3,548,541</u>	<u>514,000</u>	<u>-</u>	<u>4,062,541</u>
<u><b>\$ 26,191,392</b></u>	<u><b>\$ 5,177,264</b></u>	<u><b>\$ (2,315,844)</b></u>	<u><b>\$ 29,052,812</b></u>

EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION

COMBINING SCHEDULES OF FINANCIAL POSITION  
AS OF JUNE 30, 2009 AND 2008

	2009			
	Epilepsy Foundation	Epilepsy Research Foundation	Eliminations	Total
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,721,090	\$ -	\$ -	\$ 1,721,090
Due to affiliates	890,261	-	-	890,261
Due Research Foundation	2,353,738	-	(2,353,738)	-
Grants payable, current portion	2,506,458	528,966	-	3,035,424
Deferred revenue	59,005	-	-	59,005
Total current liabilities	<u>7,530,552</u>	<u>528,966</u>	<u>(2,353,738)</u>	<u>5,705,780</u>
<b>LONG-TERM LIABILITIES</b>				
Grants payable, net of current portion	175,000	119,700	-	294,700
Total liabilities	<u>7,705,552</u>	<u>648,666</u>	<u>(2,353,738)</u>	<u>6,000,480</u>
<b>NET ASSETS</b>				
Unrestricted	2,177,636	-	-	2,177,636
Temporarily restricted	8,032,330	3,952,137	-	11,984,467
Permanently restricted	3,665,795	-	-	3,665,795
Total net assets	<u>13,875,761</u>	<u>3,952,137</u>	<u>-</u>	<u>17,827,898</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 21,581,313</b></u>	<u><b>\$ 4,600,803</b></u>	<u><b>\$ (2,353,738)</b></u>	<u><b>\$ 23,828,378</b></u>

2008			
Epilepsy Foundation	Epilepsy Research Foundation	Eliminations	Total
\$ 2,037,049	\$ -	\$ -	\$ 2,037,049
341,565	-	-	341,565
2,315,844	-	(2,315,844)	-
1,882,750	884,008	-	2,766,758
63,207	-	-	63,207
<u>6,640,415</u>	<u>884,008</u>	<u>(2,315,844)</u>	<u>5,208,579</u>
<u>150,000</u>	<u>185,103</u>	<u>-</u>	<u>335,103</u>
<u>6,790,415</u>	<u>1,069,111</u>	<u>(2,315,844)</u>	<u>5,543,682</u>
5,263,739	-	-	5,263,739
9,586,346	4,108,153	-	13,694,499
4,550,892	-	-	4,550,892
<u>19,400,977</u>	<u>4,108,153</u>	<u>-</u>	<u>23,509,130</u>
<u><b>\$ 26,191,392</b></u>	<u><b>\$ 5,177,264</b></u>	<u><b>\$ (2,315,844)</b></u>	<u><b>\$ 29,052,812</b></u>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**  
**COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Epilepsy Foundation</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUE</b>				
Contributions	\$ 4,796,535	\$ 3,561,779	\$ 10,000	\$ 8,368,314
Government grants	5,128,379	-	-	5,128,379
Affiliate fees	497,846	-	-	497,846
Sales of materials, net of direct expenses of \$60,536	106,632	-	-	106,632
Special events, net of direct expenses of \$710,416	656,266	-	-	656,266
Investment income (loss)	(865,780)	(1,456,661)	-	(2,322,441)
Miscellaneous revenue	90,673	29,763	-	120,436
Change in value of split interest agreements	(23,444)	18,985	(895,097)	(899,556)
Recovery (Provision) for uncollectible pledges	(37,841)	-	-	(37,841)
Net assets released from donor restrictions	3,707,882	(3,707,882)	-	-
Total revenue	<u>14,057,148</u>	<u>(1,554,016)</u>	<u>(885,097)</u>	<u>11,618,035</u>
<b>EXPENSES</b>				
Program Services:				
Research	3,298,229	-	-	3,298,229
Public Health Education	2,833,025	-	-	2,833,025
Professional Education and Training	234,076	-	-	234,076
Community Services	5,891,052	-	-	5,891,052
Patient Services	1,106,415	-	-	1,106,415
Total program services	<u>13,362,797</u>	<u>-</u>	<u>-</u>	<u>13,362,797</u>
Supporting Services:				
Management and General	2,245,665	-	-	2,245,665
Fundraising	1,534,789	-	-	1,534,789
Total supporting services	<u>3,780,454</u>	<u>-</u>	<u>-</u>	<u>3,780,454</u>
Total expenses	<u>17,143,251</u>	<u>-</u>	<u>-</u>	<u>17,143,251</u>
Change in net assets	(3,086,103)	(1,554,016)	(885,097)	(5,525,216)
Net assets at beginning of year	5,263,739	9,586,346	4,550,892	19,400,977
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,177,636</u></b>	<b><u>\$ 8,032,330</u></b>	<b><u>\$ 3,665,795</u></b>	<b><u>\$ 13,875,761</u></b>

Epilepsy Research Foundation			Combined			
Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 101,500	\$ 101,500	\$ 4,796,535	\$ 3,663,279	\$ 10,000	\$ 8,469,814
-	-	-	5,128,379	-	-	5,128,379
-	-	-	497,846	-	-	497,846
-	-	-	106,632	-	-	106,632
-	-	-	656,266	-	-	656,266
-	17,417	17,417	(865,780)	(1,439,244)	-	(2,305,024)
-	67	67	90,673	29,830	-	120,503
-	-	-	(23,444)	18,985	(895,097)	(899,556)
-	-	-	(37,841)	-	-	(37,841)
275,000	(275,000)	-	3,982,882	(3,982,882)	-	-
275,000	(156,016)	118,984	14,332,148	(1,710,032)	(885,097)	11,737,019
275,000	-	275,000	3,573,229	-	-	3,573,229
-	-	-	2,833,025	-	-	2,833,025
-	-	-	234,076	-	-	234,076
-	-	-	5,891,052	-	-	5,891,052
-	-	-	1,106,415	-	-	1,106,415
275,000	-	275,000	13,637,797	-	-	13,637,797
-	-	-	2,245,665	-	-	2,245,665
-	-	-	1,534,789	-	-	1,534,789
-	-	-	3,780,454	-	-	3,780,454
275,000	-	275,000	17,418,251	-	-	17,418,251
-	(156,016)	(156,016)	(3,086,103)	(1,710,032)	(885,097)	(5,681,232)
-	4,108,153	4,108,153	5,263,739	13,694,499	4,550,892	23,509,130
<b>\$ -</b>	<b>\$ 3,952,137</b>	<b>\$ 3,952,137</b>	<b>\$ 2,177,636</b>	<b>\$ 11,984,467</b>	<b>\$ 3,665,795</b>	<b>\$ 17,827,898</b>

**EPILEPSY FOUNDATION AND THE EPILEPSY RESEARCH FOUNDATION**

**COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Epilepsy Foundation			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Contributions	\$ 5,083,052	\$ 2,226,547	\$ -	\$ 7,309,599
Government grants	4,309,637	-	-	4,309,637
Affiliate fees	547,827	-	-	547,827
Sales of materials, net of direct expenses of \$65,473	122,472	-	-	122,472
Special events, net of direct expenses of \$816,009	1,311,888	-	-	1,311,888
Investment income (loss)	(298,317)	(756,782)	-	(1,055,099)
Miscellaneous revenue	199,887	148,442	-	348,329
Change in value of split interest agreements	(25,045)	1,529	(95,280)	(118,796)
Recovery (Provision) for uncollectible pledges	304,500	-	-	304,500
Net assets released from donor restrictions	4,318,167	(4,318,167)	-	-
Total revenue	<u>15,874,068</u>	<u>(2,698,431)</u>	<u>(95,280)</u>	<u>13,080,357</u>
<b>EXPENSES</b>				
Program Services:				
Research	2,923,467	-	-	2,923,467
Public Health Education	2,594,291	-	-	2,594,291
Professional Education and Training	371,317	-	-	371,317
Community Services	5,348,678	-	-	5,348,678
Patient Services	1,131,187	-	-	1,131,187
Total program services	<u>12,368,940</u>	<u>-</u>	<u>-</u>	<u>12,368,940</u>
Supporting Services:				
Management and General	2,174,673	-	-	2,174,673
Fundraising	1,521,359	-	-	1,521,359
Total supporting services	<u>3,696,032</u>	<u>-</u>	<u>-</u>	<u>3,696,032</u>
Total expenses	<u>16,064,972</u>	<u>-</u>	<u>-</u>	<u>16,064,972</u>
Change in net assets	(190,904)	(2,698,431)	(95,280)	(2,984,615)
Net assets at beginning of year	5,454,643	12,284,777	4,646,172	22,385,592
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 5,263,739</b></u>	<u><b>\$ 9,586,346</b></u>	<u><b>\$ 4,550,892</b></u>	<u><b>\$ 19,400,977</b></u>

Epilepsy Research Foundation				Combined			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 1,840,380	\$ -	\$ 1,840,380	\$ 5,083,052	\$ 4,066,927	\$ -	\$ 9,149,979
-	-	-	-	4,309,637	-	-	4,309,637
-	-	-	-	547,827	-	-	547,827
-	-	-	-	122,472	-	-	122,472
-	-	-	-	1,311,888	-	-	1,311,888
-	-	-	-	(298,317)	(756,782)	-	(1,055,099)
-	408	-	408	199,887	148,850	-	348,737
-	-	-	-	(25,045)	1,529	(95,280)	(118,796)
-	-	-	-	304,500	-	-	304,500
711,965	(711,965)	-	-	5,030,132	(5,030,132)	-	-
711,965	1,128,823	-	1,840,788	16,586,033	(1,569,608)	(95,280)	14,921,145
711,965	-	-	711,965	3,635,432	-	-	3,635,432
-	-	-	-	2,594,291	-	-	2,594,291
-	-	-	-	-	-	-	-
-	-	-	-	371,317	-	-	371,317
-	-	-	-	5,348,678	-	-	5,348,678
-	-	-	-	1,131,187	-	-	1,131,187
711,965	-	-	711,965	13,080,905	-	-	13,080,905
-	-	-	-	2,174,673	-	-	2,174,673
-	-	-	-	1,521,359	-	-	1,521,359
-	-	-	-	3,696,032	-	-	3,696,032
711,965	-	-	711,965	16,776,937	-	-	16,776,937
-	1,128,823	-	1,128,823	(190,904)	(1,569,608)	(95,280)	(1,855,792)
-	2,979,330	-	2,979,330	5,454,643	15,264,107	4,646,172	25,364,922
<b>\$ -</b>	<b>\$ 4,108,153</b>	<b>\$ -</b>	<b>\$ 4,108,153</b>	<b>\$ 5,263,739</b>	<b>\$ 13,694,499</b>	<b>\$ 4,550,892</b>	<b>\$ 23,509,130</b>