

Epilepsy Foundation of Michigan

Financial Statements

December 31, 2020 and 2019

Epilepsy Foundation of Michigan

Table of Contents

December 31, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Epilepsy Foundation of Michigan

We have audited the accompanying financial statements of Epilepsy Foundation of Michigan (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Southfield, Michigan
May 24, 2021

Epilepsy Foundation of Michigan

Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 452,158	\$ 291,560
Accounts receivable	16,131	13,324
Unconditional promises to give, current portion	1,000	3,000
Prepaid expenses	<u>24,787</u>	<u>31,556</u>
Total current assets	<u>494,076</u>	<u>339,440</u>
Property and Equipment		
Furniture and equipment	128,840	126,340
Less accumulated depreciation	<u>(123,368)</u>	<u>(121,887)</u>
Net property and equipment	<u>5,472</u>	<u>4,453</u>
Other Assets		
Long-term unconditional promises to give	-	1,000
Investments	<u>576,038</u>	<u>524,878</u>
Total other assets	<u>576,038</u>	<u>525,878</u>
Total assets	<u>\$ 1,075,586</u>	<u>\$ 869,771</u>
Liabilities and Net Assets		
Current Liabilities		
Paycheck Protection Program loan	\$ 101,812	\$ -
Accounts payable	2,966	6,521
Accrued salaries and other benefits	77,118	64,425
Accrued expenses	866	14,484
Deferred revenues	187	12,234
Deferred rent	<u>9,654</u>	<u>4,469</u>
Total current liabilities	<u>192,603</u>	<u>102,133</u>
Net Assets		
Net assets without donor restrictions	879,669	756,124
Net assets with donor restrictions	<u>3,314</u>	<u>11,514</u>
Total net assets	<u>882,983</u>	<u>767,638</u>
Total liabilities and net assets	<u>\$ 1,075,586</u>	<u>\$ 869,771</u>

See notes to financial statements

Epilepsy Foundation of Michigan

Statements of Activities

Years Ended December 31, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Public Support						
Foundation and corporate grants	\$ 104,650	\$ -	\$ 104,650	\$ 114,775	\$ -	\$ 114,775
Contributions	355,621	1,000	356,621	472,716	5,200	477,916
In-kind contributions	-	-	-	4,160	-	4,160
Bequests	40,665	-	40,665	100,940	-	100,940
United Way	20,454	-	20,454	17,081	-	17,081
Special events, net of direct expenses of \$57,146 and \$174,378 for 2020 and 2019, respectively	302,065	-	302,065	393,967	-	393,967
Net assets released from donor restrictions	9,200	(9,200)	-	11,683	(11,683)	-
Total public support	<u>832,655</u>	<u>(8,200)</u>	<u>824,455</u>	<u>1,115,322</u>	<u>(6,483)</u>	<u>1,108,839</u>
Revenue						
Revenues from governmental agencies	34,583	-	34,583	36,396	-	36,396
Program service fees	3,216	-	3,216	14,541	-	14,541
Net investment income	59,779	-	59,779	40,843	-	40,843
Total revenue	<u>97,578</u>	<u>-</u>	<u>97,578</u>	<u>91,780</u>	<u>-</u>	<u>91,780</u>
Total public support and revenue	<u>930,233</u>	<u>(8,200)</u>	<u>922,033</u>	<u>1,207,102</u>	<u>(6,483)</u>	<u>1,200,619</u>
Functional Expenses						
Program	697,746	-	697,746	781,515	-	781,515
Management and general	99,091	-	99,091	98,479	-	98,479
Fundraising	9,851	-	9,851	10,715	-	10,715
Total functional expenses	<u>806,688</u>	<u>-</u>	<u>806,688</u>	<u>890,709</u>	<u>-</u>	<u>890,709</u>
Change in net assets	123,545	(8,200)	115,345	316,393	(6,483)	309,910
Net Assets, Beginning	<u>756,124</u>	<u>11,514</u>	<u>767,638</u>	<u>439,731</u>	<u>17,997</u>	<u>457,728</u>
Net Assets, Ending	<u>\$ 879,669</u>	<u>\$ 3,314</u>	<u>\$ 882,983</u>	<u>\$ 756,124</u>	<u>\$ 11,514</u>	<u>\$ 767,638</u>

See notes to financial statements

Epilepsy Foundation of Michigan

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 115,345	\$ 309,910
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,480	1,480
Realized and unrealized gain on investments	(53,846)	(37,165)
Changes in assets and liabilities:		
Accounts receivable	(2,807)	23,496
Pledges receivable	3,000	3,000
Prepaid expenses	6,769	(9,189)
Accounts payable	(3,555)	4,827
Accrued salaries and other benefits	12,693	4,598
Accrued expenses	(13,618)	7,473
Deferred revenues	(12,047)	4,223
Deferred rent	5,185	(7,807)
Net cash flows from operating activities	<u>58,599</u>	<u>304,846</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(2,499)	(1,670)
Proceeds from sales of investments, net	137,424	280,635
Purchases of investments	(137,283)	(286,280)
Net transfers into investment account	<u>2,545</u>	<u>(200,000)</u>
Net cash flows from investing activities	<u>187</u>	<u>(207,315)</u>
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program loan	<u>101,812</u>	-
Net change in cash and cash equivalents	160,598	97,531
Cash and Cash Equivalents, Beginning	<u>291,560</u>	<u>194,029</u>
Cash and Cash Equivalents, Ending	<u>\$ 452,158</u>	<u>\$ 291,560</u>

See notes to financial statements

Epilepsy Foundation of Michigan

Statement of Functional Expenses

Year Ended December 31, 2020

	Individual and Family Services	Community Services	Advocacy and Public Policy	Total Program	Management and General	Fundraising	Total
Salaries, wages, and employee benefits	\$ 159,848	\$ 334,878	\$ 14,807	\$ 509,533	\$ 59,546	\$ 3,775	\$ 572,854
Occupancy	24,522	27,395	1,840	53,757	7,980	613	62,350
Printing and mailing, materials and solicitation	1,450	6,237	107	7,794	493	1,490	9,777
Professional fees and contract services	13,821	1,765	101	15,687	16,654	21	32,362
Organizational dues and licenses	9,708	10,759	735	21,202	3,199	243	24,644
Equipment rentals and maintenance	4,009	3,701	287	7,997	1,220	94	9,311
Computer/network support	7,784	8,610	584	16,978	2,530	194	19,702
Educational events and camps	35,417	2,390	-	37,807	-	-	37,807
Telephone and internet	2,464	2,523	188	5,175	751	58	5,984
Travel	271	1,135	1,219	2,625	-	7	2,632
Staff and board development	13	745	956	1,714	68	104	1,886
Insurance, general and liability	1,790	3,472	188	5,450	3,361	32	8,843
Office	2,181	8,513	166	10,860	1,478	474	12,812
Third party fundraising	-	69	-	69	-	469	538
Bank charges	10	14	-	24	1,669	2,013	3,706
Depreciation	446	573	55	1,074	142	264	1,480
Subtotal expenses	263,734	412,779	21,233	697,746	99,091	9,851	806,688
Special events	-	-	-	-	-	57,146	57,146
Total expenses	<u>\$ 263,734</u>	<u>\$ 412,779</u>	<u>\$ 21,233</u>	<u>\$ 697,746</u>	<u>\$ 99,091</u>	<u>\$ 66,997</u>	<u>\$ 863,834</u>

See notes to financial statements

Epilepsy Foundation of Michigan

Statement of Functional Expenses

Year Ended December 31, 2019

	Individual and Family Services	Community Services	Advocacy and Public Policy	Total Program	Management and General	Fundraising	Total
Salaries, wages, and employee benefits	\$ 182,509	\$ 294,859	\$ 22,210	\$ 499,578	\$ 55,798	\$ 4,557	\$ 559,933
Occupancy	25,430	28,193	2,006	55,629	8,265	636	64,530
Printing and mailing, materials and solicitation	3,815	13,017	173	17,005	747	1,354	19,106
Professional fees and contract services	7,245	1,772	10,000	19,017	16,057	22	35,096
Organizational dues and licenses	9,574	10,577	746	20,897	3,156	239	24,292
Equipment rentals and maintenance	5,682	6,083	450	12,215	1,840	142	14,197
Computer/network support	7,830	9,790	602	18,222	2,545	196	20,963
Educational events and camps	67,474	5,215	146	72,835	-	-	72,835
Telephone and internet	2,784	3,011	239	6,034	783	164	6,981
Travel	2,509	8,143	1,590	12,242	3	205	12,450
Staff and board development	2,509	2,226	1,156	5,891	416	-	6,307
Insurance, general and liability	2,488	2,663	281	5,432	3,432	29	8,893
Office	3,478	30,943	391	34,812	1,860	234	36,906
Third party fundraising	-	232	-	232	-	791	1,023
Research	-	259	-	259	1,056	-	1,315
Bank charges	141	-	-	141	2,379	1,882	4,402
Depreciation	446	573	55	1,074	142	264	1,480
Subtotal expenses	323,914	417,556	40,045	781,515	98,479	10,715	890,709
Special events	-	-	-	-	-	174,378	174,378
Total expenses	<u>\$ 323,914</u>	<u>\$ 417,556</u>	<u>\$ 40,045</u>	<u>\$ 781,515</u>	<u>\$ 98,479</u>	<u>\$ 185,093</u>	<u>\$ 1,065,087</u>

See notes to financial statements

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Activities

Epilepsy Foundation of Michigan (the Foundation) is a not-for-profit corporation located in Southfield, Michigan. The Foundation provides personal consultations, camps and workshops for individuals with epilepsy, support for their families, and education for medical professionals and the Michigan community.

Cash and Cash Equivalents

The Foundation considers all highly liquid, short-term investments with a maturity at the date of acquisition of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts, which at times throughout the year, may exceed federally insured limits; the Foundation has not experienced any losses on such accounts.

Accounts Receivable

Accounts receivable consist primarily of donations and grants that are expected to be collected subsequent to year-end. An allowance for the receivables is the Foundation's best estimate of the amount of probable credit losses in the Foundation's existing receivables. No allowance was considered necessary as of December 31, 2020 or 2019.

Unconditional Promises to Give

Unconditional promises to give made to the Foundation are recorded in the year the pledge is made. Current contributions receivable are expected to be collected during the next year and are recorded at net realizable value. An allowance for uncollectible promises to give is determined based on the Foundation's collection experience with its donor base. No allowance was considered necessary as of December 31, 2020 or 2019.

Investments

Equity securities with readily determinable fair values and debt securities are measured at their acquisition cost (including brokerage and other transaction fees) if purchased, or at fair value if contributed. Subsequently, investments with readily determinable fair values are recorded at fair value based upon quoted market prices for identical instruments traded in active markets. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered to approximate fair value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Foundation records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or by law.

Fair Value Measurement

The Foundation follows generally accepted accounting principles for fair value measurements, which define fair value, establish a framework for measuring fair value under accounting principles generally accepted in the United States, and enhance disclosures about fair value measurement. The Foundation also follows the provisions of generally accepted accounting principles for fair value measurement that apply to nonfinancial assets and nonfinancial liabilities that are not measured at fair value on a recurring basis.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. The guidance clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The levels within this hierarchy are described as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates and assumptions that market participants would use in pricing the asset or liability.

For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs for those financial instruments for which there is not an active market.

Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Common stocks: Valued at the closing price reported on the active market in which the individual stocks are traded.

Mutual funds: Open-ended funds are valued at the net asset value of shares held by the Foundation at year end. Closed-ended funds are valued at the closing price reported on the active market in which the individual mutual funds are traded. The Foundation's mutual funds are closed ended funds as of December 31, 2020 and 2019.

Government bonds and Treasury notes: Valued using a pricing service that uses market-based yield curves and sales of similar assets.

Corporate bonds: Valued at the closing price reported on the active market in which the individual bonds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. See Note 2 for additional disclosures related to fair value measurement.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Management reviews these assets for impairment whenever events or circumstances indicate the carrying value may not be recoverable.

Donated property and equipment are recorded as increases in net assets without donor restrictions, unless restricted by a donor, at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. The Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service or as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using straight-line and accelerated depreciation methods that approximate the estimated life of the assets.

Paycheck Protection Program Loan

The Foundation has accounted for their Paycheck Protection Program loan using Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 470, Debt (debt model). Refer to Note 5 for additional detail.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, or are required to be maintained permanently by the Foundation.

Tax-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

The Foundation follows guidance included in an accounting standard related to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

Based on its evaluation, the Foundation has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

Revenue Recognition

On January 1, 2019, the Foundation adopted the FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts (Agreements) with Customers (Topic 606)*, and all related amendments using the modified retrospective transition method. Under the modified retrospective transition method, the Foundation's 2018 financial statements continue to be accounted for under the FASB's *Topic 605, Revenue Recognition* and have not been adjusted. This ASU replaces previous recognition guidance under GAAP and also requires expanded financial statement disclosures relating to the nature of its agreements with its customers. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the Foundation expects to be entitled in exchange for those goods or services. Based on the Foundation's evaluation process and review of its agreements, the adoption of this ASU did not have an affect on the Foundation's financial statements.

Revenue is recognized when the Foundation satisfies its performance obligation(s) under the agreement by transferring the promised service to its customers. A performance obligation is a promise in an agreement to transfer a distinct product or service to its customers and is identified at the inception of an agreement. In accordance with the ASU, an agreement's transaction price is allocated to each distinct performance obligation, however, substantially all of the Foundation's agreements have only a single performance obligation. The Foundation's revenues are substantially comprised of the following:

In 2019, the Foundation adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation did not see an impact on its statement of activities, financial position and cash flows associated with the adoption of this ASU. Contributions, including unconditional promises to give, are recognized at a point in time, which is in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is when the conditions on which they depend are met.

Certain fee-for-service type agreements. Such revenue is recognized at a point in time, which is in the period the services are performed. Amounts received in advance of the services being performed are recorded as deferred revenues in the statements of financial position.

Gifts and donations from special events are also recognized at a point in time, which is when the event takes place. Any amounts received in advance of the events are deferred revenues. The Foundation does not quantify the portion of special event revenue that represents an exchange transaction versus a contribution, because, in the opinion of management, the costs of doing so outweigh the benefits, and due to the fact that planned special events may not take place if sufficient support is not received.

Gifts of cash and other assets are restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Neither the type of service or the location of the service significantly impacts the nature, amount, timing or uncertainty of revenue and cash flows. In addition, the agreements typically do not include a significant financing component.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

In-Kind Revenue

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind services relate to services provided to support the special events held by the Foundation. In-kind revenue for the years ended December 31, 2020 and 2019 was \$0 and \$4,160, respectively.

Leases

When operating leases include free rent periods and or escalating annual rents over the lease term, rent expense is recognized on a straight-line basis over the term of the lease, including expected renewal periods, based on the total rents called for under the base lease, combined with rents for expected renewal periods.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between programs, management and general and fundraising on various bases and estimates. All employee costs including salaries and wages, payroll taxes, and benefits are allocated based on each employee's time spent performing program, management and fundraising activities. Other expenses are classified based on the nature and purpose of the transaction.

Estimates

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

Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Foundation has evaluated subsequent events occurring through May 24, 2021, the date that the financial statements were available to be issued for events requiring recording or disclosure in the Foundation's financial statements. As of the date these financial statements were issued, the COVID-19 pandemic continues to evolve and expand across the United States. To date, the Foundation has not experienced a material adverse financial impact; however, due to the rapidly changing dynamics, the Foundation is unable to estimate the ultimate impact on the Foundation's future operating results.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

2. Investments and Fair Value Measurement

Investments in securities carried at fair value as of December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Common stocks	\$ 106,519	\$ 80,002
Mutual funds	184,430	169,711
Government bonds and Treasury notes	166,865	168,488
Corporate bonds	<u>118,224</u>	<u>106,677</u>
Total investments	<u>\$ 576,038</u>	<u>\$ 524,878</u>

Net investment income for the years ended December 31 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 12,834	\$ 8,619
Net realized and unrealized gains	53,846	37,165
Investment expenses	<u>(6,901)</u>	<u>(4,941)</u>
Total net investment income	<u>\$ 59,779</u>	<u>\$ 40,843</u>

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy discussed in Note 1.

	December 31, 2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks	\$ 106,519	\$ 106,519	\$ -	\$ -
Corporate bonds	118,224	118,224	-	-
Government bonds	33,645	-	33,645	-
Treasury notes	133,220	-	133,220	-
Mutual funds	<u>184,430</u>	<u>184,430</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 576,038</u>	<u>\$ 409,173</u>	<u>\$ 166,865</u>	<u>\$ -</u>
	December 31, 2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks	\$ 80,002	\$ 80,002	\$ -	\$ -
Corporate bonds	106,677	106,677	-	-
Government bonds	28,326	-	28,326	-
Treasury notes	140,162	-	140,162	-
Mutual funds	<u>169,711</u>	<u>169,711</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 524,878</u>	<u>\$ 356,390</u>	<u>\$ 168,488</u>	<u>\$ -</u>

There have been no transfers between Level 1 and Level 2 investments for the years ended December 31, 2020 and 2019.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

3. Unconditional Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows, which approximates fair value. Unconditional promises to give at December 31 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,000	\$ 3,000
Receivable in one to five years	<u>-</u>	<u>1,000</u>
Unconditional promises to give, net	<u>\$ 1,000</u>	<u>\$ 4,000</u>

4. Line of Credit

The Foundation has a line of credit financing agreement with a financial institution that provides for maximum borrowings of \$30,000 that is secured by all assets of the Foundation. The line of credit has no maturity date. The Foundation did not have any outstanding borrowings on the line of credit at December 31, 2020 or 2019.

5. Paycheck Protection Program Loan

In May 2020, the Foundation received loan proceeds in the amount of \$101,812 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Foundation may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Foundation met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during February 2021. Legal release was received in the same month for the full amount and therefore, the Foundation recorded the amount forgiven as forgiveness income within its statement of activities at that time.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

6. Classification of Net Assets

The net assets without donor restrictions totaling \$879,669 and \$756,124 at December 31, 2020 and 2019, respectively, consists of funds used for general purposes and are without donor restrictions. The Foundation, from time-to-time, holds board designated funds that are not available for general use without prior Board approval. When applicable, the Board, however, does not consider these amounts to be Board designated endowments, as defined in the FASB ASC Topic No. 958. These amounts are determined at the board's discretion annually; no amounts are board designated for the years ended December 31, 2020 and 2019.

Net assets with donor restrictions at December 31, 2020 and 2019 bear the following time or purpose restrictions:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 2,314	\$ 3,314
Pledges receivable	1,000	4,000
Camp donation	-	4,200
	<u> </u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 3,314</u>	<u>\$ 11,514</u>

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors during December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 2,000	\$ 2,000
Pledges receivable	3,000	3,000
Camp donation	4,200	-
Grant	-	6,683
	<u> </u>	<u> </u>
Total net assets released from donor restrictions	<u>\$ 9,200</u>	<u>\$ 11,683</u>

7. Retirement Plan

The Foundation maintains a defined contribution retirement plan covering substantially all employees. Contributions to the retirement plan are made at the discretion of the Board of Directors. The contributions to the retirement plan in 2020 and 2019 were \$18,283 and \$15,032, respectively.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

8. Operating Leases

The Foundation has lease agreements for the use of office space and equipment. The lease agreements expire on various dates through 2025. Lease expense related to office space and storage for the years ended December 31, 2020 and 2019 was \$62,350 and \$64,530, respectively. Lease expense related to equipment for the years ended December 31, 2020 and 2019 was \$6,663 and \$7,559, respectively, is included in equipment rental and maintenance on the accompanying statement of functional expenses.

The following is a schedule of future minimum lease payments for leases with initial or remaining lease terms of twelve months or more as of December 31, 2020:

Future minimum lease payments due in

2021	\$	65,106
2022		66,558
2023		68,011
2024		67,892
2025		<u>52,470</u>
Total future minimum lease payments	\$	<u>320,037</u>

9. Liquidity and Funds Available

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures such as operating expenses and fixed asset additions not financed with debt are as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 452,158	\$ 291,560
Accounts receivable	16,131	13,324
Unconditional promises to give, current portion	1,000	3,000
Investments	<u>576,038</u>	<u>524,878</u>
Financial assets, at year-end	1,045,327	832,762
Less those unavailable for general expenditures within one year, due to donor and time restrictions	<u>(3,314)</u>	<u>(11,514)</u>
Total financial assets, at year-end without restrictions	1,042,013	821,248
Plus unconditional promises to give, current portion	<u>1,000</u>	<u>3,000</u>
Financial assets available for meet cash needs for general expenditures within one year	<u>\$ 1,043,013</u>	<u>\$ 824,248</u>

The Foundation has a line of credit of \$30,000, all of which is available as of December 31, 2020 and 2019, to be drawn upon in the event of an unanticipated liquidity need.

Epilepsy Foundation of Michigan

Notes to Financial Statements
December 31, 2020 and 2019

10. Related Party Transactions

The Foundation pay annual dues to the national Epilepsy Foundation based on a five year agreement that was executed on June 1, 2018. The agreement specifies that the dues to be paid each year will not exceed \$25,000; expenses pertaining to this agreement were \$23,900 and \$23,566 for the years ended December 31, 2020 and 2019, respectively. In exchange for paying monthly dues, the Foundation has access to the use of the brand, grants and programs and other. The total received from the national Epilepsy Foundation was \$14,827 and \$14,331 for the years ended December 31, 2020 and 2019, respectively.

Additionally, in 2018, a board member pledged \$5,000 to the Foundation, of which, \$4,000 has been paid and \$1,000 is included within unconditional promises to give on the statement of financial position as of December 31, 2020.

11. New Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 (as amended) establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 (as amended) is effective for annual periods beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022 (fiscal year 2022). The Foundation is currently assessing the effect that ASU No. 2016-02 will have on its statement of activities, financial position and cash flows.

During September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022 financial statements). The Foundation does not believe that the adoption of ASU No. 2020-07 will have a material effect on its financial statements.