

EPILEPSY FOUNDATION OF MICHIGAN

Southfield, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

EPILEPSY FOUNDATION OF MICHIGAN

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Epilepsy Foundation of Michigan
Southfield, 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, 2017 and 2016, 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.

Board of Directors
Epilepsy Foundation of Michigan

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, 2017 and 2016, 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 Virchow Krause, LLP

Southfield, Michigan
May 2, 2018

EPILEPSY FOUNDATION OF MICHIGAN

STATEMENTS OF FINANCIAL POSITION As of December 31, 2017 and 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 202,794	\$ 117,567
Accounts receivable	24,745	32,710
Unconditional promises to give, current portion, less allowance for uncollectible promises of \$0 in 2017 and \$1,750 in 2016	4,000	1,000
Prepaid expenses	<u>20,784</u>	<u>14,445</u>
Total Current Assets	<u>252,323</u>	<u>165,722</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	122,839	118,583
Less: Accumulated depreciation	<u>(119,088)</u>	<u>(118,005)</u>
Net Property and Equipment	<u>3,751</u>	<u>578</u>
OTHER ASSETS		
Deposits	278	278
Long-term unconditional promises to give	4,000	1,000
Investments	<u>199,646</u>	<u>184,764</u>
Total Other Assets	<u>203,924</u>	<u>186,042</u>
TOTAL ASSETS	<u>\$ 459,998</u>	<u>\$ 352,342</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,940	\$ 10,614
Accrued salaries and other benefits	59,351	32,356
Accrued expenses	1,432	1,528
Deferred revenues	3,767	48,118
Deferred rent	<u>18,267</u>	<u>22,394</u>
Total Current Liabilities	<u>91,757</u>	<u>115,010</u>
NET ASSETS		
Unrestricted	357,204	231,702
Temporarily restricted	<u>11,037</u>	<u>5,630</u>
Total Net Assets	<u>368,241</u>	<u>237,332</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 459,998</u>	<u>\$ 352,342</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
PUBLIC SUPPORT						
Foundation and corporate grants	\$ 230,250	\$ -	\$ 230,250	\$ 159,050	\$ -	\$ 159,050
Contributions	182,137	9,407	191,544	175,093	-	175,093
In-kind contributions	2,973	-	2,973	658	-	658
Bequests	15,000	-	15,000	36,236	-	36,236
United Way	27,809	-	27,809	29,797	-	29,797
Special events, net of direct expenses of \$164,451 and \$144,367 for 2017 and 2016, respectively	385,044	-	385,044	340,402	-	340,402
Net assets released from restriction	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>	<u>22,000</u>	<u>(22,000)</u>	<u>-</u>
Total Public Support	<u>847,213</u>	<u>5,407</u>	<u>852,620</u>	<u>763,236</u>	<u>(22,000)</u>	<u>741,236</u>
REVENUE						
Revenues from governmental agencies	58,048	-	58,048	33,340	-	33,340
Program service fees	43,080	-	43,080	34,293	-	34,293
Investment income	<u>13,947</u>	<u>-</u>	<u>13,947</u>	<u>6,046</u>	<u>-</u>	<u>6,046</u>
Total Revenue	<u>115,075</u>	<u>-</u>	<u>115,075</u>	<u>73,679</u>	<u>-</u>	<u>73,679</u>
Total Public Support and Revenue	<u>962,288</u>	<u>5,407</u>	<u>967,695</u>	<u>836,915</u>	<u>(22,000)</u>	<u>814,915</u>
FUNCTIONAL EXPENSES						
Program	733,332	-	733,332	649,170	-	649,170
Management and general	94,322	-	94,322	97,833	-	97,833
Fundraising	<u>9,132</u>	<u>-</u>	<u>9,132</u>	<u>15,235</u>	<u>-</u>	<u>15,235</u>
Total Functional Expenses	<u>836,786</u>	<u>-</u>	<u>836,786</u>	<u>762,238</u>	<u>-</u>	<u>762,238</u>
CHANGE IN NET ASSETS	125,502	5,407	130,909	74,677	(22,000)	52,677
NET ASSETS - Beginning of Year	<u>231,702</u>	<u>5,630</u>	<u>237,332</u>	<u>157,025</u>	<u>27,630</u>	<u>184,655</u>
NET ASSETS - END OF YEAR	<u>\$ 357,204</u>	<u>\$ 11,037</u>	<u>\$ 368,241</u>	<u>\$ 231,702</u>	<u>\$ 5,630</u>	<u>\$ 237,332</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 130,909	\$ 52,677
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,083	3,109
Change in allowance	(1,750)	-
Realized and unrealized gains on investments, net of expenses	(15,147)	(4,231)
Changes in assets and liabilities		
Accounts receivable, net	7,965	(6,759)
Pledges receivable	(4,250)	1,300
Prepaid expenses	(6,339)	10,462
Accounts payable	(1,674)	(6,964)
Accrued salaries and other benefits	26,995	5,118
Accrued expenses	(96)	(3,746)
Deferred revenues	(44,351)	47,868
Deferred rent	(4,127)	(2,311)
Net Cash Provided by Operating Activities	<u>89,218</u>	<u>96,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,256)	-
Proceeds from sales of investments, net	21,251	116,271
Purchases of investments	(20,986)	(68,743)
Withdrawals from investment account	-	(25,000)
Net Cash Provided By Investing Activities	<u>(3,991)</u>	<u>22,528</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of line of credit	-	(11,450)
Net Change in Cash and Cash Equivalents	85,227	107,601
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>117,567</u>	<u>9,966</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 202,794</u>	<u>\$ 117,567</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 231</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2017

	Individual and Family Services	Community Services	Advocacy and Public Policy	Total Program	Management and General	Fundraising	Total
Salaries, wages, and employee benefits	\$ 222,993	\$ 218,322	\$ 21,388	\$ 462,703	\$ 54,795	\$ 3,045	\$ 520,543
Occupancy	23,076	29,314	3,451	55,841	7,911	1,347	65,099
Printing and mailing - materials and solicitation	2,407	8,704	287	11,398	668	1,996	14,062
Professional fees and contract services	1,762	1,769	48,240	51,771	15,332	62	67,165
Organizational dues and licenses	3,574	3,859	366	7,799	1,213	258	9,270
Equipment rentals and maintenance	5,892	6,239	1,006	13,137	2,022	371	15,530
Computer/network support	6,732	7,092	976	14,800	2,303	392	17,495
Educational events and camps	74,408	2,174	111	76,693	-	-	76,693
Telephone and internet	2,611	2,653	322	5,586	823	118	6,527
Travel	3,316	4,048	2,176	9,540	24	65	9,629
Staff, board, and volunteer development	784	2,171	3,126	6,081	539	-	6,620
Insurance - general and liability	2,665	2,649	344	5,658	3,623	120	9,401
Office expenses	3,141	4,481	619	8,241	1,729	378	10,348
Third party fundraising expenses	-	-	-	-	-	730	730
Bank charges	3,003	288	-	3,291	3,238	62	6,591
Depreciation	386	318	89	793	102	188	1,083
Total Expenses	<u>\$ 356,750</u>	<u>\$ 294,081</u>	<u>\$ 82,501</u>	<u>\$ 733,332</u>	<u>\$ 94,322</u>	<u>\$ 9,132</u>	<u>\$ 836,786</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2016

	Individual and Family Services	Community Services	Advocacy and Public Policy	Total Program	Management and General	Fundraising	Total
Salaries, wages, and employee benefits	\$ 183,954	\$ 244,207	\$ 37,695	\$ 465,856	\$ 57,955	\$ 10,986	\$ 534,797
Occupancy	19,026	30,072	1,772	50,870	8,130	-	59,000
Printing and mailing - materials and solicitation	1,775	7,836	137	9,748	580	2,132	12,460
Professional fees and contract services	2,378	2,905	223	5,506	15,694	7	21,207
Organizational dues and licenses	122	394	11	527	102	-	629
Equipment rentals and maintenance	4,880	6,264	496	11,640	2,061	-	13,701
Computer/network support	6,390	8,183	625	15,198	2,684	-	17,882
Educational events and camps	57,632	4,162	-	61,794	-	-	61,794
Telephone and internet	2,065	2,850	205	5,120	814	7	5,941
Travel	1,858	5,291	2,371	9,520	77	16	9,613
Staff, board, and volunteer development	81	350	-	431	240	-	671
Insurance - general and liability	2,328	2,929	265	5,522	3,725	15	9,262
Office expenses	1,881	3,067	185	5,133	1,580	127	6,840
Third party fundraising expenses	-	89	-	89	-	1,366	1,455
Interest and bank charges	-	-	-	-	3,856	21	3,877
Depreciation	977	1,088	151	2,216	335	558	3,109
Total Expenses	<u>\$ 285,347</u>	<u>\$ 319,687</u>	<u>\$ 44,136</u>	<u>\$ 649,170</u>	<u>\$ 97,833</u>	<u>\$ 15,235</u>	<u>\$ 762,238</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 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, 2017 or 2016.

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.

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 As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Fair Value Measurements (cont.)

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, 2017 and 2016.

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, 2017 and 2016.

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 As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

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 unrestricted net assets, 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 temporarily 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 temporarily restricted net assets to unrestricted net assets at that time.

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

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:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. There are no permanently restricted net assets as of December 31, 2017 and 2016.

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.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Tax-Exempt Status (cont.)

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.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Foundation also earns revenue under certain fee-for-service type agreements. Such revenue is recognized 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.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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.

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. Accordingly, the Foundation recognizes revenue from special events in the period in which the event takes place and records any amounts received in advance as deferred revenues.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

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 Organization. In-kind revenue for the years ended December 31, 2017 and 2016 was \$2,973 and \$658, 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 costs have been allocated among the programs and supporting services benefited.

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 2016 amounts have been reclassified to conform with classifications adopted in 2017. 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 2, 2018, the date that the financial statements were available to be issued for events requiring recording or disclosure in the Foundation's financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - Investments and Fair Value Measurement

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

	<u>2017</u>	<u>2016</u>
Common stocks	\$ 35,520	\$ 57,646
Mutual funds	66,314	32,249
Government bonds and Treasury notes	52,282	49,798
Corporate bonds	<u>45,530</u>	<u>45,071</u>
 Total Investments	 <u>\$ 199,646</u>	 <u>\$ 184,764</u>

Investment return for the years ended December 31 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 4,018	\$ 4,409
Net realized and unrealized gains	15,147	4,231
Investment expenses	<u>(5,218)</u>	<u>(2,594)</u>
 Total Net Investment Income	 <u>\$ 13,947</u>	 <u>\$ 6,046</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:

	<u>December 31, 2017</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common Stocks				
Consumer discretionary	\$ 2,096	\$ 2,096	\$ -	\$ -
Energy	1,421	1,421	-	-
Health care	3,659	3,659	-	-
Industrials	1,954	1,954	-	-
Information technology	4,937	4,937	-	-
Materials	1,421	1,421	-	-
Other	<u>20,032</u>	<u>20,032</u>	-	-
Total Common Stocks	<u>35,520</u>	<u>35,520</u>	-	-
 Fixed Income Investments				
Corporate bonds	45,530	45,530	-	-
Government bonds	25,225	-	25,225	-
Treasury notes	27,057	-	27,057	-
Mutual funds	<u>66,314</u>	<u>66,314</u>	-	-
Total Fixed Income Investments	<u>164,126</u>	<u>111,844</u>	<u>52,282</u>	-
 Total Investments	 <u>\$ 199,646</u>	 <u>\$ 147,364</u>	 <u>\$ 52,282</u>	 <u>\$ -</u>

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - Investments and Fair Value Measurement (cont.)

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Common Stocks				
Consumer discretionary	\$ 3,516	\$ 3,516	\$ -	\$ -
Energy	3,286	3,286	-	-
Health care	5,707	5,707	-	-
Industrials	3,516	3,516	-	-
Information technology	7,321	7,321	-	-
Materials	2,191	2,191	-	-
Other	<u>32,109</u>	<u>32,109</u>	-	-
Total Common Stocks	<u>57,646</u>	<u>57,646</u>	-	-
Fixed Income Investments				
Corporate bonds	45,071	45,071	-	-
Government bonds	24,414	-	24,414	-
Treasury notes	25,384	-	25,384	-
Mutual funds	<u>32,249</u>	<u>32,249</u>	-	-
Total Fixed Income Investments	<u>127,118</u>	<u>77,320</u>	<u>49,798</u>	-
Total Investments	<u>\$ 184,764</u>	<u>\$ 134,966</u>	<u>\$ 49,798</u>	<u>\$ -</u>

NOTE 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:

	2017	2016
Receivable in less than one year	\$ 4,000	\$ 2,750
Receivable in one to five years	4,000	1,000
Less: Allowance for uncollectibles	-	(1,750)
Unconditional Promises to Give, Net	<u>\$ 8,000</u>	<u>\$ 2,000</u>

The long-term promises to give were not discounted to present value for the years ended December 31, 2017 and 2016 as management considers a discounted computation to be immaterial to the financial statements.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 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, 2017 or 2016.

NOTE 5 - Classification of Net Assets

The unrestricted net assets totaling \$357,204 and \$231,702 at December 31, 2017 and 2016, respectively, consists of both board designated funds, as well as funds used for general purposes. These amounts are determined at the board's discretion annually.

Temporarily restricted net assets at December 31, 2017 and 2016 bear the following time or purpose restrictions:

	2017	2016
Scholarships	\$ 3,037	\$ 3,630
Pledge receivable	8,000	2,000
Total Restricted Net Assets	<u>\$ 11,037</u>	<u>\$ 5,630</u>

The Foundation holds board designated funds that are not available for general use without prior Board approval. The Board, however, does not consider these amounts to be Board designated endowments, as defined in the Financial Accounting Standards Board's ("FASB") ASC Topic No. 958. Accordingly, the expanded disclosure requirements for Board designated endowments required under FASB ASC Topic No. 958 are not presented. There are no permanently restricted donor funds at either December 31, 2017 or 2016.

NOTE 6 - 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 2017 were \$17,170. There were no contributions to the retirement plan in 2016.

NOTE 7 - Operating Leases

The Foundation has lease agreements for the use of office space and equipment. The lease agreements expire on various dates through 2020. Lease expense related to office space for the years ended December 31, 2017 and 2016 was \$65,099 and \$59,000, respectively. Lease expense related to equipment for the years ended December 31, 2017 and 2016 was \$7,165 and \$7,564, respectively, which is included in equipment rental and maintenance on the accompanying statement of functional expenses.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 7 - Operating Leases (cont.)

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, 2017:

Future minimum lease payments due in	
2018	\$ 60,629
2019	56,766
2020	<u>32,079</u>
Total Future Minimum Lease Payments	<u>\$ 149,474</u>

NOTE 8 - Commitments and Contingencies

Financial Awards from Grantors

Financial awards from Detroit-Wayne County Community Mental Health Agency in the form of grants are subject to special audit. Such audits could result in claims against the Foundation for disallowed costs or noncompliance with grantor restrictions. Grantor fiscal years ending through 2013 have been settled with the Foundation. No provision has been made for any liabilities that may arise from such future audits since the amounts, if any, cannot be determined at this time.

NOTE 9 - New Accounting Pronouncements

During August 2016, the "FASB" issued Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): "Presentation of Financial Statements of Not-for-Profit Entities." The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Foundation is assessing the impact this standard will have on its financial statements.

During May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Foundation is currently assessing the effect that ASU 2014-09 will have on its results of operations, financial position and cash flows.

EPILEPSY FOUNDATION OF MICHIGAN

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 9 - New Accounting Pronouncements (cont.)

During February 2016, the FASB issued ASU 2016-02, "Leases". ASU 2016-02 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 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Foundation is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.