

EPILEPSY FOUNDATION OF FLORIDA, INC.
FINANCIAL STATEMENTS AND REPORTS
ON COMPLIANCE AND ON INTERNAL CONTROL
JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Epilepsy Foundation of Florida, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Epilepsy Foundation of Florida, Inc. (the "Organization"), a non-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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.

Auditor's 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Epilepsy Foundation of Florida, Inc. as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, Rules of the Auditor General of the State of Florida, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of the Organization's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Pinchasik Yelen Muskat Stein, LLC

Miami, Florida
November 8, 2016

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 487,198	\$ 500,681
Pledges and other receivables	113,669	158,379
Grants receivable	2,225,629	2,103,318
Prepaid expenses	<u>21,794</u>	<u>36,969</u>
Total current assets	2,848,290	2,799,347
PROPERTY AND EQUIPMENT, net	37,155	69,305
OTHER ASSETS	<u>26,097</u>	<u>25,153</u>
 Total assets	<u><u>\$ 2,911,542</u></u>	<u><u>\$ 2,893,805</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,217	\$ 87,504
Accrued expenses	51,531	39,861
Deferred revenue	<u>2,076,085</u>	<u>2,009,229</u>
Total current liabilities	<u>2,151,833</u>	<u>2,136,594</u>
NET ASSETS		
Unrestricted	735,534	753,036
Temporarily restricted	<u>24,175</u>	<u>4,175</u>
 Total net assets	<u>759,709</u>	<u>757,211</u>
 Total liabilities and net assets	<u><u>\$ 2,911,542</u></u>	<u><u>\$ 2,893,805</u></u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,

	2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ -	\$ 3,206,935	\$ 3,206,935
Contributions	210,981	334,500	545,481
United Way	-	83,404	83,404
Special events, net	530,639	-	530,639
In-kind medical services and other	390,759	-	390,759
Fees and other income	52,304	-	52,304
Net assets released from restriction	3,604,839	(3,604,839)	-
Total support and revenue	<u>4,789,523</u>	<u>20,000</u>	<u>4,809,522</u>
EXPENSES			
Patient services	3,037,670		3,037,670
Prevention and education services	1,390,315		1,390,315
Management and general	182,200		182,200
Fundraising	196,840		196,840
Total expenses	<u>4,807,025</u>		<u>4,807,025</u>
CHANGE IN NET ASSETS	(17,502)	20,000	2,497
BEGINNING NET ASSETS	753,036	4,175	757,211
ENDING NET ASSETS	<u>\$ 735,534</u>	<u>\$ 24,175</u>	<u>\$ 759,709</u>
	2015		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ -	\$ 2,798,113	\$ 2,798,113
Contributions	346,527	227,000	573,527
United Way	-	73,133	73,133
Special events, net	431,165	-	431,165
In-kind medical services and other	588,901	-	588,901
Fees and other income	51,315	-	51,315
Net assets released from restriction	3,186,279	(3,186,279)	-
Total support and revenue	<u>4,604,187</u>	<u>(88,033)</u>	<u>4,516,154</u>
EXPENSES			
Patient services	3,020,530		3,020,530
Prevention and education services	1,217,059		1,217,059
Management and general	156,126		156,126
Fundraising	193,109		193,109
Total expenses	<u>4,586,824</u>		<u>4,586,824</u>
CHANGE IN NET ASSETS	17,363	(88,033)	(70,670)
BEGINNING NET ASSETS	735,673	92,208	827,881
ENDING NET ASSETS	<u>\$ 753,036</u>	<u>\$ 4,175</u>	<u>\$ 757,211</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services		Supporting Services		Total
	Patient Services	Prevention and Education Services	Management and General	Fundraising	
Advertising	\$ 1,640	\$ 984	\$ 164	\$ 492	\$ 3,280
Bank and credit card fees	794	794	530	3,178	5,296
Computer support and supplies	73,922	47,041	6,720	6,720	134,403
Depreciation	16,075	12,860	1,608	1,607	32,150
Dues and subscriptions	13,361	7,288	2,429	1,215	24,293
Equipment rental and maintenance	24,816	13,536	4,512	2,256	45,120
In-kind medical services	352,379	-	-	-	352,379
Insurance	13,668	8,201	4,100	1,367	27,336
Interest	-	-	1,584	-	1,584
Marketing and development	18,476	11,086	1,848	5,542	36,952
Medical services	151,957	-	-	-	151,957
Meeting and travel	54,305	26,676	3,810	10,480	95,271
Occupancy	97,905	53,403	17,801	8,900	178,009
Office supplies	36,400	19,855	6,618	3,309	66,182
Other expenses	2,771	1,361	535	194	4,861
Printing and publications	34,700	26,989	7,711	7,711	77,111
Professional and contracted services	330,313	214,414	34,770	-	579,497
Salaries and benefits	1,692,261	902,539	84,613	141,022	2,820,435
Support groups	93,461	20,516	-	-	113,977
Telephone	28,466	22,772	2,847	2,847	56,932
Total Expenses	\$ 3,037,670	\$ 1,390,315	\$ 182,200	\$ 196,840	\$ 4,807,025

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services		Supporting Services		Total
	Patient Services	Prevention and Education Services	Management and General	Fundraising	
Advertising	\$ 7,512	\$ 7,512	\$ 810	\$ 810	\$ 16,644
Bank and credit card fees	2,856	2,856	1,904	11,424	19,040
Computer support and supplies	55,716	35,456	5,065	5,065	101,302
Depreciation	17,172	13,737	1,717	1,717	34,343
Dues and subscriptions	9,498	5,181	1,727	863	17,269
Equipment rental and maintenance	23,702	12,928	4,309	2,155	43,094
In-kind medical services	545,326	-	-	-	545,326
Insurance	13,061	7,836	3,918	1,306	26,121
Interest	-	-	886	-	886
Marketing and development	12,133	7,280	1,213	3,640	24,266
Medical services	230,362	-	-	-	230,362
Meeting and travel	64,771	31,817	4,545	12,500	113,633
Occupancy	93,987	51,266	17,089	8,544	170,886
Office supplies	31,222	17,030	5,677	2,838	56,767
Other expenses	4,330	2,127	836	304	7,597
Printing and publications	30,281	23,552	6,729	6,729	67,291
Professional and contracted services	166,027	107,772	17,477	-	291,276
Salaries and benefits	1,589,726	847,854	79,487	132,477	2,649,544
Support groups	95,476	20,958	-	-	116,434
Telephone	27,372	21,897	2,737	2,737	54,743
Total Expenses	\$ 3,020,530	\$ 1,217,059	\$ 156,126	\$ 193,109	\$ 4,586,824

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,497	\$ (70,670)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	32,150	34,343
Non-cash donations	390,759	588,901
Non-cash expenses	(390,759)	(588,901)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges and other receivables	44,710	(94,080)
(Increase) decrease in grants receivable	(122,311)	188,046
(Increase) decrease in prepaid expenses	15,175	(36,969)
Increase in other assets	(944)	(1,350)
Increase (decrease) in accounts payable	(63,286)	40,959
Increase (decrease) in accrued expenses	11,670	8,320
Increase (decrease) in deferred revenue	66,856	(180,473)
Net cash and cash equivalents used in operating activities	<u>(13,483)</u>	<u>(111,874)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(7,635)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,483)	(119,509)
 BEGINNING CASH AND CASH EQUIVALENTS	<u>500,681</u>	<u>620,190</u>
 ENDING CASH AND CASH EQUIVALENTS	<u>\$ 487,198</u>	<u>\$ 500,681</u>
 <u>Supplemental disclosures of cash flow information:</u>		
Interest paid	<u>\$ 1,584</u>	<u>\$ 886</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Epilepsy Foundation of Florida, Inc. (the "Organization") is a non-profit organization and is the sole, independent affiliate for the State of Florida by the National Epilepsy Foundation. The Organization provides epilepsy programs and services in 35 of Florida's 67 counties as sponsored by the State of Florida and is a designated grantee of the federal government to act as Patient Navigators for the Affordable Care Act in the Florida healthcare marketplace exchange.

The Organization was formed under the Laws of the State of Florida in 1971 and provides health, education and social services to persons with seizure disorders and their families. Services provided include seizure education, preventive services, case management, medical and counseling services, information and referrals, support groups and advocacy for persons with epilepsy and their families as well as consumer assistance with enrollment in the Florida healthcare marketplace exchange.

Sole National Affiliate for Statewide Epilepsy Services

The Organization is a statewide national affiliate and receives diverse grants from public and private foundations, the national Epilepsy Foundation, various local municipalities and United Way organizations throughout the State of Florida. The Organization is contracted by the of Florida Department of Health to provide comprehensive epilepsy services in 35 of the 67 Florida Counties, including Alachua, Baker, Bradford, Broward, Citrus, Clay, Columbia, Dixie, Duval, Escambia, Flagler, Gilchrist, Hamilton, Hernando, Indian River, Lafayette, Lake, Levy, Marion, Martin, Miami-Dade, Monroe, Nassau, Okaloosa, Okeechobee, Palm Beach, Putnam, Santa Rosa, St. Johns, St. Lucie, Sumter, Suwannee, Union, Volusia and Walton Counties.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America (U.S.).

The financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") No. 958 *Not-for-Profit Entities*. FASB ASC No. 958 require that net assets, revenues, expenses, gain and losses be classified based on the existence or absence of donor-imposed restrictions into the following three separate classes of net assets:

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Financial Statement Presentation (Continued)

Unrestricted

Unrestricted net assets available for the support of current operations that are neither temporarily or permanently restricted and are not subject to any donor-imposed stipulations.

Temporarily Restricted

Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled or otherwise removed by actions of the Organization pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Permanently Restricted

Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers deposits with banks and highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions, which at times may exceed federally insured limits.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Pledges and Other Receivables

Unconditional pledges to give cash are recognized as revenues at fair value in the period the pledge is made. Pledges to be received over more than one year are measured at the present value of estimated future cash flows using the risk-free rate as of the date the receivable is recognized. Other receivables consist of amounts due from customers for provided medical services and are stated at estimated net realizable value. The Organization had no pledges to be received over more than one year as of June 30, 2016 and 2015.

Grants Receivable

Amounts reflected as grants receivable represents the difference between the net realizable value of the grants less cash receipts.

Allowance for Doubtful Accounts

The Organization periodically reviews pledges and other receivables and grants receivable and provides an allowance for accounts which may become uncollectible. The allowance is based on prior years' experience and management's analysis of specific pledges, grants, and other receivables made. At June 30, 2016 and 2015, management considered the pledges and other receivables and grants receivable to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

Revenue Recognition/Deferred Revenue

It is the policy of the Organization to record the grant revenue at the time of award and defer the unexpended portion until earned. Grants restricted for operating purposes are deemed to be earned and reported as revenue when the Organization has incurred expenditures in compliance with specific restrictions.

Support

The Organization is dependent upon public and governmental support for its operations. The amount and timeliness in which the support from fundraising events and governmental agencies is collected is essential to meet the normal cash flow needs of the Organization. Grant revenue is recognized when earned in accordance with the terms of the grant.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Support (Continued)

Contributions are recognized when the donor makes what is, in substance, a promise to give to the Organization that is unconditional. Grants and contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions for which donors have not stipulated restrictions or donor restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted support.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and would be typically purchased if not provided by donation. The value of donated services has been recorded only for those services for which a clear measurable basis is available. However, many other individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

The majority of donated professional services include doctor and specialist visits, medical tests and scans, blood testing, other related medical services and consulting services. The value of donated in-kind medical services is determined by the difference between (1) the doctors' standard billing rates and the number of medical tests at standard billing rates and (2) the negotiated prices that the Organization actually pays, multiplied by the actual number of visits or medical tests performed. In-kind consulting services is determined by the actual number of hours incurred at the consultant's standard billing rates. These services have been recorded in the accompanying statements of activities as in-kind medical services and other. The amount of in-kind donated medical services and other amounted to approximately \$391,000 and \$589,000 for the years ended June 30, 2016 and 2015, respectively.

Functional Allocation of Expenses

Identifiable expenditures made in direct fulfillment of the Organization's expressed goals are classified as patient services or prevention and educational services. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain common expenses have been allocated among the programs and supporting services benefitted based upon management's estimate of factors such as time spent or space utilized.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

Property and equipment and significant improvements thereto are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. Donated property and equipment are recorded at fair value at the date of donation. Expenditures for property and equipment in excess of \$1,000 are capitalized; the fair value of donated property and equipment is capitalized and recorded as contributions. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support.

Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Upon the sale or disposition, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statement of activities.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements reflect no provision for income taxes and are subject to audit by federal tax authorities. Management is not aware of any activities that would jeopardize the Organization's exempt status.

Fair Value of Financial Instruments

At June 30, 2016 and 2015, the carrying values of cash and cash equivalents, pledges and other receivables, grants receivable, prepaid expenses, other assets, accounts payable, accrued expenses, and deferred revenue approximate fair value because of the short-term maturities of these instruments.

Advertising

Advertising costs are expensed as incurred.

Reclassifications

Certain amounts in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

New Accounting Standard

ASU 2016-14

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The FASB believes the new standard will improve Not-for-Profit financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The most significant change resulting from ASU 2016-14 will transform the face of Not-for-Profit financial statements by requiring entities to present two net asset classes (net assets with donor restrictions and net assets without donor restrictions) rather than three net asset classes (unrestricted, temporarily restricted, and permanently restricted). Furthermore, the new standard includes expanded guidance on the reporting of all endowment funds and requires all Not-for-Profit entities to analyze expenses by both natural classification and functional classification and report investment returns net of related investment expenses, including both external and direct internal investment expenses.

The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition and disclosure in the financial statements through November 8, 2016, the date which the financial statements were available to be issued.

NOTE 2 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Program Evaluation Grant	\$ 20,000	\$ -
Epilepsy Foundation National Collaborative Lead Program	3,375	3,375
Epilepsy Foundation National School Nursing Project	<u>800</u>	<u>800</u>
	<u>\$ 24,175</u>	<u>\$ 4,175</u>

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 3 - CONCENTRATION CREDIT RISK

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents and unsecured receivables. The Organization's ability to collect its receivables is dependent on economic conditions and the financial condition of its customers and grantor agencies. The Organization has not experienced losses related to its receivables.

The Organization maintains its cash and cash equivalents deposits with creditworthy, high quality financial institutions. At times cash balances may temporarily exceed the Federal Deposit Insurance Coverage insurance limit of \$250,000. At June 30, 2016 and 2015, the Organization's uninsured cash balances totaled approximately \$20,000 and \$318,000, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment comprises the following:

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Office equipment	\$212,309	\$212,309
Furniture and fixtures	71,042	71,042
Leasehold improvements	<u>5,850</u>	<u>5,850</u>
	289,201	289,201
Less: accumulated depreciation	(252,046)	(219,896)
Total property and equipment	<u>\$ 37,155</u>	<u>\$ 69,305</u>

NOTE 5 - LINE OF CREDIT

The Organization has a revolving line of credit totaling \$200,000 available for working capital purposes. This line of credit bears interest at the greater of a floor rate of 4.5% or a floating interest rate of prime plus .25%. At June 30, 2016 and 2015, the outstanding interest rate is 4.25%. The line of credit matures in March 2017 and is renewable annually under the line of credit agreement. There were no outstanding borrowings on the line of credit as of June 30, 2016 and 2015.

NOTE 6 - CONTINGENCIES

Financial awards from federal, state and local government entities in the form of grants are subject to audit by the respective governmental agencies. The possible disallowance by the governmental agencies of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. Accordingly, no provision for any liability that may result has been made in the financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - COMMITMENTS

Operating Leases

The Organization is obligated under separate non-cancellable operating leases for office equipment and space expiring at various dates through 2020. Total minimum rental payments under these non-cancellable operating leases are as follows:

<u>Years ending June 30,</u>	
2017	\$190,000
2018	177,000
2019	145,000
2020	<u>24,000</u>
	<u>\$536,000</u>

In addition, the Organization leases certain office space on a month to month basis. Office rent expense is approximately \$167,000 and \$164,000 for the years ended June 30, 2016 and 2015, respectively. These amounts are included in occupancy in the accompanying statements of functional expenses.

Office equipment rent expense is approximately \$39,000 and \$36,000 for the years ended June 30, 2016 and 2015, respectively. These amounts are included in equipment rental and maintenance in the accompanying statements of functional expenses.

NOTE 8 - ECONOMIC DEPENDENCE

The Organization provides its program services with funds primarily received from federal, state and local governments. A significant reduction in the level of this funding, if this were to occur, may have an adverse effect on the Organization's programs and activities.

At June 30, 2016 and 2015, grants receivable from contracts with governmental entities were approximately 96% of total grants receivable. Revenues received under contracts with governmental entities represented approximately 66% and 64% of the Organization's total support and revenue for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 - UNITED WAY SUPPORT AND REVENUE

Individual United Way agency support and revenue is comprised as follows:

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
United Way of Miami-Dade County, Inc.	\$ 52,904	\$ 46,658
United Way of Palm Beach County, Inc.	18,000	18,000
United Way of Escambia County, Inc.	7,500	4,250
United Way of Martin County, Inc.	4,000	4,225
United Way of Santa Rosa County, Inc.	<u>1,000</u>	<u>-</u>
Total	<u>\$ 83,404</u>	<u>\$73,133</u>

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 10 - RETIREMENT PLAN

Effective July 1, 2006, the Organization established a 403(b) plan where employees are eligible to participate upon completing one year of service and are age twenty-one or older. The Organization matches three percent of employee annual compensation. The employees become fully vested after completing their sixth year of service.

Effective March 1, 2016, the Organization transitioned to a safe harbor retirement savings plan where employees are eligible to participate upon completing one year and 1,000 hours of continuous service; and age twenty-one or older. The Organization matches 100% of employee deferral up to 3% of participant compensation plus 50% of the deferral up to the next 2% of participant compensation. Participants are immediately 100% vested in all of their contributions and all safe harbor contributions.

The Organization's matching contribution expense for the years ended June 30, 2016 and 2015 was approximately \$30,000 and \$20,200, respectively.

SUPPLEMENTARY INFORMATION

EPILEPSY FOUNDATION OF FLORIDA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2016

GRANTOR / PROGRAM TITLE	CFDA/ CFSA	CONTRACT / GRANT NUMBER	EXPENDITURES	TRANSFERS TO SUBRECIPIENTS
FEDERAL GOVERNMENT				
U.S. Department of Health and Human Services				
Support Navigators	93.332	1 NAVCA140155-01-01	\$ 217,819	\$ -
Support Navigators	93.332	1 NAVCA150253-01-00	1,481,207	-
Total – U.S. Department of Health and Human Services			<u>1,699,026</u>	<u>-</u>
STATE OF FLORIDA				
Department of Health				
Epilepsy Services Program - Patient Services and Prevention and Education	64.036	COHA4	1,424,120	-
Total – Department of Health			<u>1,424,120</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 3,123,146</u>	<u>\$ -</u>

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state award programs of Epilepsy Foundation of Florida, Inc. (the "Organization") for the year ended June 30, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, Rules of the State of Florida of the Auditor General. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 3 - SCOPE OF AUDIT PURSUANT TO THE FEDERAL AND STATE SINGLE AUDIT ACTS

All federal and state grant operations of the Organization are included in the scope of the Federal Single Audit Act and the Florida Single Audit Act. The Federal Single Audit was performed in accordance with the provisions of audit requirements of the OMB Compliance Supplement, and The Florida Single Audit was performed in accordance with the provisions of the *Department of Financial Services' State Projects Compliance Supplement*. Compliance testing of all requirements, as described in the OMB Compliance Supplement and the State Projects Compliance Supplement, was performed for the grant programs noted in the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 4 - CONTINGENCY

The grants revenue amount received is subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as a result of such an audit, any claim for the reimbursement to the grantor agency would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and regulations.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Epilepsy Foundation of Florida, Inc.

We have audited, in accordance with the 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, the financial statements of Epilepsy Foundation of Florida, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pinchasik Yelen Muskat Stein, LLC

Miami, Florida

November 8, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE, AND CHAPTER 10.650, RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors of
Epilepsy Foundation of Florida, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Epilepsy Foundation of Florida, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2016. The Organization's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General of the State of Florida. Those standards, the Uniform Guidance and Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Epilepsy Foundation of Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects identified in the summary of auditor's results section in the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General of the State of Florida, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a major federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida. Accordingly, this report is not suitable for any other purpose.

Pinchasik Yelen Muskat Stein, LLC
Miami, Florida
November 8, 2016

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS**

EPILEPSY FOUNDATION OF FLORIDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS AND STATE PROJECTS

YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Instances of noncompliance material to financial statements noted? yes no

Federal Awards and State Projects

Type of auditor's report issued on compliance for major federal programs and state projects: Unmodified

Internal control over major federal programs and state projects:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or Chapter 10.650, Rules of the Auditor General of The State of Florida? yes no

EPILEPSY FOUNDATION OF FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

<u>Federal Awarding Agency</u>	<u>CFDA Number</u>	<u>Year</u>
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Programs tested as major federal programs included:

Department of Health and Human Services

Support Navigators	93.332	2014-2015
Support Navigators	93.332	2015-2016

Dollar threshold used to distinguish between Type A and Type B federal programs:

\$750,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance:

X yes no

State Projects

<u>CSFA Number</u>	<u>Year</u>
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Programs tested as major state projects included:

Department of Health

Epilepsy Services Programs - Direct Client Services and Prevention and Education Services	64.036	2015-2016
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Dollar threshold used to distinguish between Type A and Type B state projects:

\$300,000

SECTION II - FINANCIAL STATEMENTS FINDINGS

REPORTABLE CONDITIONS

The audit disclosed no matters that are reportable for the current year.

EPILEPSY FOUNDATION OF FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2016

SECTION III - FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS AND STATE PROJECTS

REPORTABLE CONDITIONS

The audit disclosed no matters that are reportable for the current year.

SECTION IV - OTHER ISSUES

1. No management letter was issued.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings to federal awards programs or state financial assistance projects.
3. No corrective action plan is required because there were no findings required to be reported under the Federal OMB Compliance Supplement or the Florida Department of Financial Services' State Project Compliance Supplement.