

**EPILEPSY FOUNDATION NEW ENGLAND, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2017)**

**EPILEPSY FOUNDATION NEW ENGLAND, INC.
AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Epilepsy Foundation New England, Inc. and Subsidiary
Wilmington, Massachusetts

We have audited the accompanying consolidated financial statements of Epilepsy Foundation New England, Inc. and Subsidiary (a nonprofit organization), which comprise of the consolidated statement of financial position as of June 30, 2018, and the related consolidated statement of activities 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Epilepsy Foundation New England, Inc. and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Epilepsy Foundation New England, Inc. and Subsidiary as of June 30, 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The June 30, 2018 summarized comparative information has been derived from Epilepsy Foundation New England, Inc. and Subsidiary 2017 financial statements, and in our report dated November 30, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 4, 2018

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,259,081	\$ 995,813
Accounts Receivable	469,711	538,882
Pledge Receivable	75,431	80,000
Unbilled Revenue	88,214	116,642
Investments	2,521,599	2,294,578
Prepaid Expenses	227,489	93,036
Deposits and Other Assets	1,632	4,799
Total Current Assets	<u>4,643,157</u>	<u>4,123,750</u>
PROPERTY AND EQUIPMENT, NET	<u>82,971</u>	<u>242,641</u>
Total Assets	<u>\$ 4,726,128</u>	<u>\$ 4,366,391</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 86,459	\$ 135,947
Accrued Expenses	110,127	139,739
Deferred Revenue	38,572	6,505
Capital Lease Obligation	-	118,505
Total Current Liabilities	<u>235,158</u>	<u>400,696</u>
NET ASSETS		
Unrestricted:		
Operating	1,332,064	3,484,951
Board Designated for Operating Reserves	2,224,524	-
Board Designated for Endowment	493,767	-
Total Unrestricted	<u>4,050,355</u>	<u>3,484,951</u>
Temporarily Restricted	413,357	480,744
Permanently Restricted	27,258	-
Total Net Assets	<u>4,490,970</u>	<u>3,965,695</u>
Total Liabilities and Net Assets	<u>\$ 4,726,128</u>	<u>\$ 4,366,391</u>

See accompanying Notes to Consolidated Financial Statements.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
OPERATING SUPPORT AND REVENUES					
Contributions and Grants	\$ 283,761	\$ 197,935	\$ -	\$ 481,696	\$ 897,510
EFA Grants and Revenue Share	-	-	-	-	18,307
In-Kind Donations	246,653	-	-	246,653	329,527
Donation Center Contribution Revenue	5,866,069	-	-	5,866,069	6,107,382
Program Service Fees:					
Camp Fees and Camperships	16,895	-	-	16,895	8,594
Special Events, Net of Direct Costs of \$173,883 and \$200,831	387,226	-	-	387,226	311,236
Other	19,332	-	-	19,332	25,972
Subtotal	6,819,936	197,935	-	7,017,871	7,698,528
NET ASSETS RELEASED FROM RESTRICTIONS	265,322	(265,322)	-	-	-
Total Support and Revenues	7,085,258	(67,387)	-	7,017,871	7,698,528
OPERATING EXPENSES					
Foundation:					
Program Services	861,832	-	-	861,832	1,111,922
Management and General	385,012	-	-	385,012	146,775
Fundraising	392,242	-	-	392,242	376,511
Subtotal	1,639,086	-	-	1,639,086	1,635,208
Donation Center:					
Program Services	3,517,257	-	-	3,517,257	3,704,339
Management and General	281,939	-	-	281,939	179,118
Fundraising	1,062,785	-	-	1,062,785	1,255,211
Subtotal	4,861,981	-	-	4,861,981	5,138,668
Total Expenses	6,501,067	-	-	6,501,067	6,773,876
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	584,191	(67,387)	-	516,804	924,652
NONOPERATING REVENUES (EXPENSES)					
Interest and Dividend Income	43,832	274	-	44,106	14,522
Unrealized/Realized Gain (Loss) on Investments	(62,619)	(274)	-	(62,893)	30,770
Endowment Contributions	-	-	27,258	27,258	-
Total Nonoperating Revenues (Expenses)	(18,787)	-	27,258	8,471	45,292
Net Assets - Beginning of Year	3,484,951	480,744	-	3,965,695	2,995,751
NET ASSETS - END OF YEAR	\$ 4,050,355	\$ 413,357	\$ 27,258	\$ 4,490,970	\$ 3,965,695

See accompanying Notes to Consolidated Financial Statements.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 525,275	\$ 969,944
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Contribution Income - Acquisition	-	(555,823)
Depreciation and Amortization	162,154	295,228
Contributions Restricted for Long-Term Investment	(27,258)	-
Unrealized/Realized Loss (Gain) on Investments	62,893	(30,770)
(Increase) Decrease in Assets:		
Accounts Receivable	69,171	197,248
Pledge Receivable	4,569	(80,000)
Unbilled Revenue	28,428	49,976
Prepaid Expenses	(134,453)	(41,831)
Deposits and Other Assets	3,167	15,986
Increase (Decrease) in Liabilities:		
Accounts Payable	(49,488)	(6,496)
Accrued Expenses	(29,612)	(73,246)
Deferred Revenue	32,067	(39,153)
Net Cash Provided by Operating Activities	646,913	701,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Proceeds from Acquisition	-	17,195
Proceeds from Sale of Investments	1,983,955	56,000
Purchase of Investments	(2,273,870)	(1,480,023)
Purchases of Property and Equipment	(2,483)	(11,882)
Net Cash Used by Investing Activities	(292,398)	(1,418,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	(118,505)	(268,311)
Proceeds from Contributions Restricted for Long-Term Contributions to Endowment	27,258	-
Net Cash Used by Financing Activities	(91,247)	(268,311)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	263,268	(985,958)
Cash and Cash Equivalents - Beginning of Year	995,813	1,981,771
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,259,081	\$ 995,813

See accompanying Notes to Consolidated Financial Statements.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 NATURE OF ORGANIZATION

Organization

Epilepsy Foundation New England, Inc. (the Foundation) is a 501(c)(3) nonprofit organization incorporated and located in the Commonwealth of Massachusetts whose mission is to help people and families affected by epilepsy in New England. The Foundation is an independent affiliate of Epilepsy Foundation of America whose mission is to lead the fight to overcome the challenges of living with epilepsy and to accelerate therapies to stop seizures, find cures, and save lives. We serve the approximately 100,000 people in Maine, Massachusetts, New Hampshire, and Rhode Island effected by epilepsy and the people who care for them. Our vision statement is Help for Today, Hope for Tomorrow.

The services we provide are employment services; camp for children and teens; youth programming; helpdesk; online resource center; retreats for adults; scholarships; emergency financial aid to people in need; community education for children, school personnel, first responders, and employers; conferences for health care providers and for families; fundraising for research; public policy advocacy; support groups; bereavement support; community connections; and, public awareness and engagement.

In 2009, the Foundation established its wholly owned subsidiary, Epilepsy Foundation New England Donation Center, LLC (the Donation Center), a Massachusetts limited liability company, in which the Foundation is the sole member. Through a partnership with Savers, the Donation Center collects clothing and household items that are resold through 15 regional thrift stores. All proceeds are used to help fund the Foundation's programs and services and research. The Donation center further supports the Foundations mission in the following ways: (1) Public Awareness: the Donation Center's branding (i.e., on its truck fleet, which act as billboards; in handouts at donation drop-off locations; via call center agents; in mass digital and print mailings that reach millions of people; and through joint awareness raising programs at Savers stores); (2) Community Education: the Foundation provides Epilepsy 101 training to Donation center staff so that they are equipped to talk with donors who interact with the Donation Center to donate goods or services and provide education about the mission and cause; (3) Employment Services: the Donation Center is an employer partner where the Foundation's clients are placed for job training; (4) Volunteer Engagement: Foundation Volunteers support the Donation Center in customer service at our Attended Donation Sites and clothing donation drives.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and the Donation Center (collectively, the Organization). All intercompany balances, if any, were eliminated in consolidation.

Prior Year Summarized Information

The financial statements contain prior year comparative information in total but not by net asset class. Consequently, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Accounts Receivable

Accounts receivable relates primarily to poundage revenue and reimbursements owed to the Donation Center (see Note 13). Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Pledges Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. Conditional promises are not included as revenue until such times as the conditions are substantially met. All promises to give are due within one year. Management considered all amounts to be fully collectible and due in the next fiscal year. Accordingly, no allowance for doubtful accounts has been established.

Unbilled Revenue

The Organization is reimbursed by TVI, Inc. for expenses associated with operating the Donation Center. Unbilled revenue is accrued for when the Organization incurs expenses that have not yet been reimbursed.

Investments and Investment Income and Gains

The Organization follows the not-for-profit subtopic of the FASB Accounting Standards Codification with respect to investments, and under this subtopic, investments in marketable equity and fixed income securities with readily determinable fair values are stated at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) are excluded from the increase (decrease) in net assets from operations

Fair Value

Accounting standards provide a common definition of fair value and establishes a framework to make the measurement of fair value in accounting principles generally accepted in the United States of America more consistent and comparable.

Accounting standards also require expanded disclosures to provide information about the extent to which fair value is used to measure certain financial assets and liabilities, the methods, and assumptions used to measure fair value, and the effect of fair value measures on earnings. The Organization's financial assets reflected in the financial statements at fair value include its investments (see Note 9).

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Lease Obligations

Assets under capital lease are capitalized at the lower of the present value of the minimum lease payments or the fair value of the leased asset.

Net Assets

Accounting standards require the Organization to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – are those assets free of donor-imposed restrictions and include all revenues, expenses, gains, and losses that are not subject to donor-restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of directors. In 2018, the board of directors designated unrestricted net assets for the purposes of creating an endowment and setting aside assets for operating reserves.

Temporarily restricted net assets – include gifts, grants, income, gains, and pledges for which donor-imposed restrictions have not been met. When a 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.

Permanently restricted net assets – are those assets contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes, or by occurrence of other events as specified by donors. Donor restricted gifts that are received and expended within the same year are reported as unrestricted contributions.

Revenue Recognition

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

The Donation Center contracted with TVI, Inc., as more fully described in Note 13 of the financial statements, to buy all donations of clothing, household goods, and other items (donated goods). Donated goods are either immediately sold as part of the contract or the Donation Center is paid for donated goods that are delivered directly to TVI, Inc., at an agreed upon price. As donated goods are sold immediately the Donation Center recognizes revenue using a practical expedient where the amount paid by TVI, Inc. is considered the fair value of the donated goods and is reflected as "donation center contribution revenue" in the consolidated statement of activities.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and may otherwise be purchased by the Organization. Volunteers provided services throughout the year that are not recognized as contributions in the accompanying consolidated financial statements since the recognition criteria was not met.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements. The Foundation is not a private foundation.

The Donation Center is a limited liability corporation whose sole member is the Foundation; therefore, the entity's activity takes on the tax-exempt status of the Foundation.

Income Tax Positions

The Financial Accounting Standards Board (FASB) has issued a standard that clarifies the accounting and recognition of income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. If the Organization incurs interest or penalties as a result of unrecognized tax positions, the policy is to classify interest accrued with interest expense and penalties thereon with operating expenses. The Organization's tax filings are subject to audit by various taxing authorities. The Organization is not currently under examination by any taxing jurisdiction.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense totaled \$55,217 and \$147,214 for the years ended June 30, 2018 and 2017.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

Presentation of Financial Statements of Not-for-Profit Entities

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which will modify the presentation of net asset classifications and enhance disclosures about liquidity and functional classification of expenses. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017. Management has not yet evaluated the effects of the new standard on its financial statements.

Reclassifications

Certain amounts relating to the prior year have been reclassified to conform to the current year presentation. There is no effect on the change in net assets previously reported.

Subsequent Events

The Organization has evaluated subsequent events through December 4, 2018, which is the date the financial statements were available to be issued.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the related assets, generally three to six years. Normal maintenance and repair costs are expensed as incurred. The Organization capitalizes property and equipment, purchased or donated, over \$500.

Property and equipment consisted of the following as of years ended June 30, 2018 and 2017:

	2018	2017
Furniture and Equipment	\$ 114,515	\$ 112,031
Autos and Trucks	1,173,859	30,048
Leasehold Improvements	38,431	38,431
Website	32,400	32,400
Capital Leases	-	1,143,811
Subtotal	<u>1,359,205</u>	<u>1,356,721</u>
Less: Accumulated Depreciation and Amortization	<u>(1,276,234)</u>	<u>(1,114,080)</u>
Total	<u>\$ 82,971</u>	<u>\$ 242,641</u>

Depreciation and amortization expense, including capital leases, for the years ended June 30, 2018 and 2017 totaled \$162,154 and \$295,228, respectively. Depreciation expense for capital leases for the years ended June 30, 2018 and 2017 was \$127,090 and \$254,180, respectively. Accumulated depreciation for capital leases for the years ended June 30, 2018 and 2017 was \$1,143,811 and \$1,016,720, respectively.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 CAPITAL LEASE OBLIGATIONS

The Donation Center entered into various capital lease agreements for trucks which are set to expire in 2018. Under these agreements, minimum lease payments for the trucks were \$23,070 per month. This obligation is secured by the trucks leased.

In March 2018, the Donation Center entered into new capital lease agreements for trucks beginning on July 1, 2018 which are set to expire in June 2022. Under this agreement, minimum lease payments for the trucks are \$16,753 per month. The obligation is secured by the trucks leased.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 201,036
2020	201,036
2021	201,036
2022	201,036
Total	<u>\$ 804,144</u>

NOTE 5 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Employment	\$ 50,000	\$ 100,000
Camp	-	10,000
E-Studio	-	12,674
Scholarship	16,282	15,255
Nursing	-	2,500
Research	61,285	8,525
Matty Fund	282,890	328,890
Other	2,900	2,900
Total	<u>\$ 413,357</u>	<u>\$ 480,744</u>

For the years ended June 30, permanently restricted net assets are restricted to:

	<u>2018</u>	<u>2017</u>
Endowment Campership Fund	\$ 27,258	\$ -
Total	<u>\$ 27,258</u>	<u>\$ -</u>

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 SPECIAL EVENTS

The Foundation holds various events to help fund operations. Expenses incurred in relation to these events are netted against the revenue earned from these events, which is shown as special events, net of direct costs, in the consolidated statements of activities.

Revenue and expenses related to these events for the year ended June 30, 2018 are as follows:

<u>Special Event</u>	<u>Revenue</u>	<u>Direct Cost</u>	<u>Net</u>
Walk for Epilepsy	\$ 298,100	\$ 57,202	\$ 240,898
Dinner	187,085	97,808	89,277
Other Events	75,924	18,873	57,051
Total	<u>\$ 561,109</u>	<u>\$ 173,883</u>	<u>\$ 387,226</u>

Revenue and expenses related to these events for the year ended June 30, 2017 are as follows:

<u>Special Event</u>	<u>Revenue</u>	<u>Direct Cost</u>	<u>Net</u>
Walk for Epilepsy	\$ 207,873	\$ 59,866	\$ 148,007
Dinner	284,688	137,264	147,424
Other Events	19,506	3,701	15,805
Total	<u>\$ 512,067</u>	<u>\$ 200,831</u>	<u>\$ 311,236</u>

NOTE 7 IN-KIND DONATIONS

The Foundation received donated pro-bono legal services, consultants and other camp related services, which totaled \$186,681 and \$315,922 for the years ended June 30, 2018 and 2017, respectively. In addition, the Donation Center received in-kind donations for marketing and advertising which totaled \$59,972 and \$13,605 as of June 30, 2018 and 2017, respectively. Donated services are recorded in the accompanying consolidated financial statements at their estimated fair value.

NOTE 8 LEASE COMMITMENTS

Foundation

In February 2016 the Foundation moved its office space to Wilmington, Massachusetts, and assumed the sub-lease agreement held by the Donation Center. The original agreement was a five-year sub-lease agreement expiring in February 2019. The agreement was amended for the Foundation to assume the sub-lease in February 2016, with all other aspects of the lease remaining unchanged. Rent expense totaled \$91,679 and \$76,701 and for the years ended June 30, 2018 and 2017, respectively.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 LEASE COMMITMENTS (CONTINUED)

The Foundation sub-leases a small portion of this office space back to the Donation Center on a month-to-month basis. There is no formal lease agreement in place for this arrangement.

The future minimum commitments related to the office space are as follows as of June 30, 2018:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 71,532
2020	96,831
2021	100,015
2022	103,198
2023	106,382
Thereafter	63,139
Total	<u>\$ 541,097</u>

Donation Center

The Donation Center entered into a lease agreement in February 2016 for its new location in Billerica, Massachusetts, which was occupied in March 2016. This lease expires in September 2023. The lease agreement contains provisions for initial discounts (no payments until October 1, 2016) and future rent increases. The Organization records monthly rent expense equal to the total number of payments due divided by the total number of months in the lease term. The difference between rent expense recorded and paid is credited to deferred rent, which is included in the accompanying consolidated statements of financial position. For the years ended June 30, 2018 and 2017, there is no deferred rent.

The Donation Center has other lease agreements which expire at various times through June 2021. The Donation Center also leases parking and office space under other month-to-month leases. Rent expense for all set term and month-to-month lease agreements was \$241,181 and \$162,772 for the years ended June 30, 2018 and 2017, respectively.

The future minimum commitments related to the office space and vehicles are as follows as of June 30, 2018:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 188,804
2020	160,685
2021	164,403
2022	155,018
2023	118,450
Total	<u>\$ 787,360</u>

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 FAIR VALUE MEASUREMENTS

Accounting standards require that financial and non-financial assets and liabilities recognized or disclosed in the financial statements on a recurring basis (at least annually), be measured at fair value. These standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

These standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Organization's assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when higher-level inputs are not available.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2018 and 2017.

Equities and mutual funds are valued at closing price reported on the active market in which the individual investment is traded.

Corporate bonds are valued using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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 Organization believes its valuation methodologies 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.

The following table summarizes the valuation of the Organization's financial assets at June 30, 2018:

	Total	Level 1	Level 2	Level 3
Equities	\$ 1,352,760	\$ 1,352,760	\$ -	\$ -
Fixed Income	1,114,909	-	1,114,909	-
Total Assets at Fair Value	<u>2,467,669</u>	<u>\$ 1,352,760</u>	<u>\$ 1,114,909</u>	<u>\$ -</u>
Cash	53,931			
Total Investments	<u>\$ 2,521,600</u>			

The following table summarizes the valuation of the Organization's financial assets at June 30, 2017:

	Total	Level 1	Level 2	Level 3
Equities	\$ 105,273	\$ 105,273	\$ -	\$ -
Mutual Funds	100,993	100,993	-	-
Fixed Income	425,620	-	425,620	-
Total Assets at Fair Value	<u>631,886</u>	<u>\$ 206,266</u>	<u>\$ 425,620</u>	<u>\$ -</u>
Cash	1,662,692			
Total Investments	<u>\$ 2,294,578</u>			

NOTE 10 ENDOWMENT

The Organization is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make disclosures about endowment funds, both donor restricted endowment funds and board designated endowment funds.

The Organizations endowment consists of multiple funds established for purposes including both donor-restricted endowment funds and funds designated by the board of directions to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments on the consolidated statement of financial position.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Massachusetts UPMIFA as requiring preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the endowment fund; (2) the purposes of the institution and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institutions, and (7) the investment policy of the institution.

The Endowment funds were established in fiscal year 2018 therefore, there was no activity in 2017 related to the endowment.

Endowment net asset composition by fund type as of June 30, 2018 is as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 27,258	\$ 27,258
Board-Designated Endowment Funds	493,767	-	-	493,767
Total Funds	<u>\$ 493,767</u>	<u>\$ -</u>	<u>\$ 27,258</u>	<u>\$ 521,025</u>

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ -	\$ -
Investment Return:				
Investment Income	5,282	274	-	5,556
Net Depreciation (Realized and Unrealized)	(11,515)	(274)	-	(11,789)
Total Investment Return	(6,233)	-	-	(6,233)
Contribution Income	-	-	27,258	27,258
Transfer into Endowment	500,000	-	-	500,000
Endowment Net Assets, End of Year	<u>\$ 493,767</u>	<u>\$ -</u>	<u>\$ 27,258</u>	<u>\$ 521,025</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual nature. Deficiencies of this nature are reported in unrestricted net assets and were approximately \$274 for the year ended June 30, 2018.

Spending Policy

The Organization has a policy of appropriating for distribution each year based on board of director evaluation and approval. Appropriations are used for operational and programmatic purposes.

NOTE 11 RELATED PARTY TRANSACTIONS

The Foundation receives grants from Epilepsy Foundation of America (EFA). Grants and other revenue received by the Foundation for the years ended June 30, 2018 and 2017 totaled \$-0- and \$18,307, respectively. As of June 30, 2018 and 2017, \$-0- and \$3,000 was due from the Foundation to EFA which is included in accounts receivable as appropriate on the consolidated statements of financial position.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At times during the year, cash balances may exceed the federally insured amounts. Certain financial institutions have additional insurance to cover depository amounts in addition to the FDIC insurance. The Organization has not experienced any losses in such accounts and monitors the credit worthiness of the banks at which it conducts business and management does not believe it is exposed to any significant credit risk with respect to such cash balances.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 13 DONATED ITEMS PURCHASE AGREEMENT

On October 22, 2015, the Donation Center signed a new two-year agreement with TVI, Inc., to buy all donations of household goods and clothing received. The agreement was renewed on October 31, 2017 for one year and extended until December 29, 2018

This agreement calls for two payment streams. The first is a reimbursement of mutually agreed-to budgeted expenses to support the Donation Center's activity, including but not limited to pick-up and delivery costs, occupancy contribution solicitation costs, promotional activity, and office administration. The second is a negotiated rate per cloth pound, plus specified amounts for furniture and household goods delivered to and received by TVI, Inc.

Both payment streams are determine the fair value of the donated goods and are reflected in "donation center contribution revenue" in the consolidated statement of activities. The expenses associated with the Donation Center are classified by function and natural class in the consolidated statement of functional expenses.

The TVI, Inc. agreement, which expires October 27, 2018, provides for an early termination clause whereby TVI, Inc. would be responsible for wind down expenses, including assumption of all vehicle and facility leases under terms and conditions as described in the agreement. In addition, the Donation Center is not liable for any leases and contracts that extend beyond the current expiration date of the agreement.

NOTE 14 RETIREMENT PLAN

The Organization sponsors a 403(b) retirement plan established for all eligible employees (as defined in the Plan document). The plan allows participants to defer a portion of their salary, subject to the Internal Revenue Code limits. In addition, at the discretion of the Organization, there is an option to fund an additional amount, as defined in the plan document. During the years ended June 30, 2018 and 2017, the Organization contributed \$28,782 and \$7,978 to the plan.

NOTE 15 LINE OF CREDIT

The Organization opened a line of credit with a bank in April 2018, which provides short-term borrowings of up to \$150,000. Interest is payable monthly at bank's current prime rate (4.750% at 2018). Any borrowings against the line of credit are secured by an interest in all assets of the Organization. The unused portion at June 30, 2018 amounted to \$150,000.

NOTE 16 CONTINGENCIES

From time to time, the Organization is subject to legal proceedings and claims in the ordinary course of business. In the opinion of management, the resolution of any such litigation is not expected to have a material effect on the financial position, results of operations or cash flows.

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 17 ACQUISITION

On February 11, 2017, the Foundation merged with the Matthew Siravo Memorial Foundation, Inc. (The Matty Fund), a nonprofit organization, which was founded to provide family resources, raise awareness, promote patient safety, and improve the quality of life for children and families living with epilepsy. The merger was completed to further the mission of both the Foundation and The Matty Fund. No consideration was paid as part of the merger. The Foundation accounted for this transaction as an acquisition as defined by accounting principles generally accepted in the United States of America as they were the surviving corporation. The following table summarizes the assets acquired at the acquisition date.

Cash	\$ 17,195
Investments	526,763
Property and Equipment	7,430
Other Assets	4,435
Total Identifiable Net Assets – Contribution Income	<u>\$ 555,823</u>

The contribution income recognized as part of the acquisition was in part temporarily restricted in use. The following table below summarizes the net asset classification of the contribution income recognized from the acquisition.

Contribution - Unrestricted	\$ 220,823
Contribution - Temporarily Restricted	335,000
Total Identifiable Net Assets – Contribution Income	<u>\$ 555,823</u>



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

Board of Directors
Epilepsy Foundation New England, Inc. and Subsidiary
Wilmington, Massachusetts

We have audited the consolidated financial statements of Epilepsy Foundation New England, Inc. and Subsidiary as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated December 4, 2018, which contained an unmodified opinion on the consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 4, 2018

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	<u>Foundation</u>	<u>Donation Center</u>	<u>Eliminations</u>	<u>2018 Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 198,818	\$ 1,060,263	\$ -	\$ 1,259,081
Accounts Receivable	3,075	466,636	-	469,711
Pledge Receivable	75,431	-	-	75,431
Unbilled Revenue	-	88,214	-	88,214
Investments	2,521,599	-	-	2,521,599
Prepaid Expenses	91,152	136,337	-	227,489
Deposits	1,632	-	-	1,632
Total Current Assets	<u>2,891,707</u>	<u>1,751,450</u>	<u>-</u>	<u>4,643,157</u>
PROPERTY AND EQUIPMENT, NET	<u>23,126</u>	<u>59,845</u>	<u>-</u>	<u>82,971</u>
Total Assets	<u>\$ 2,914,833</u>	<u>\$ 1,811,295</u>	<u>\$ -</u>	<u>\$ 4,726,128</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 37,714	\$ 48,745	\$ -	\$ 86,459
Accrued Expenses	30,895	79,232	-	110,127
Deferred Revenue	-	38,572	-	38,572
Capital Lease Obligation	-	-	-	-
Total Current Liabilities	<u>68,609</u>	<u>166,549</u>	<u>-</u>	<u>235,158</u>
NET ASSETS				
Unrestricted:				
Operating	(312,910)	1,644,746	-	1,331,836
Board Designated for Operating Reserves	2,224,524	-	-	2,224,524
Board Designated for Endowment	493,995	-	-	493,995
Total Unrestricted	<u>2,405,609</u>	<u>1,644,746</u>	<u>-</u>	<u>4,050,355</u>
Temporarily Restricted	413,357	-	-	413,357
Permanently Restricted	27,258	-	-	27,258
Total Net Assets	<u>2,846,224</u>	<u>1,644,746</u>	<u>-</u>	<u>4,490,970</u>
Total Liabilities and Net Assets	<u>\$ 2,914,833</u>	<u>\$ 1,811,295</u>	<u>\$ -</u>	<u>\$ 4,726,128</u>

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Epilepsy Foundation of New England		Epilepsy Foundation Donation Center		Elimination Entries	2018 Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		
OPERATING SUPPORT AND REVENUES						
Contributions and Grants	\$ 283,761	\$ 197,935	\$ 481,696	\$ -	\$ -	\$ 481,696
EFA, Grants and Revenue Share	-	-	-	-	-	-
In-Kind Donations	186,681	-	186,681	59,972	-	246,653
Donation Center Contribution Revenue	-	-	-	5,866,069	-	5,866,069
Program Service Fees:						
Camp Fees and Camperships	16,895	-	16,895	-	-	16,895
Special Events, Net of Direct Costs of \$173,853 and \$200,831	387,226	-	387,226	-	-	387,226
Other	8,288	-	8,288	11,044	-	19,332
Subtotal	882,951	197,935	1,080,786	5,937,085	-	7,017,871
	265,322	(265,322)	-	-	-	-
NET ASSETS RELEASED FROM RESTRICTIONS						
Total Support and Revenues	1,148,173	(67,387)	1,080,786	5,937,085	-	7,017,871
OPERATING EXPENSES						
Program Services	861,832	-	861,832	3,517,257	-	4,379,089
Management and General	385,012	-	385,012	281,939	-	666,951
Fundraising	392,242	-	392,242	1,062,785	-	1,455,027
Total Expenses	1,639,086	-	1,639,086	4,861,981	-	6,501,067
INCREASE IN NET ASSETS BEFORE DISTRIBUTIONS						
	(490,913)	(67,387)	(558,300)	1,075,104	-	516,804
Transfer of Investments	2,232,954	-	2,232,954	(2,232,954)	-	-
Distribution	480,000	-	480,000	(480,000)	-	-
Subtotal	2,712,954	-	2,712,954	(2,712,954)	-	-
INCREASE IN NET ASSETS FROM OPERATIONS						
	2,222,041	(67,387)	2,154,654	(1,637,850)	-	516,804
NON OPERATING SUPPORT AND REVENUES (EXPENSES)						
Interest and Dividend Income	39,298	274	39,572	4,534	-	44,106
Unrealized Gain (Loss) on Investments	(55,460)	(274)	(55,734)	(7,159)	-	(62,893)
Endowment Contributions	(16,162)	-	(16,162)	(2,625)	-	(18,787)
Total Nonoperating Revenues	199,730	480,744	680,474	3,285,221	-	3,965,695
Net Assets - Beginning of Year	\$ 2,405,609	\$ 413,357	\$ 2,818,966	\$ 1,644,746	\$ -	\$ 4,490,970
NET ASSETS - END OF YEAR						

EPILEPSY FOUNDATION NEW ENGLAND, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Foundation			Donation Center			Elimination Entries	2018 Total
	Program Services	Management and General	Total	Program Services	Management and General	Total		
			Fundraising			Fundraising		
Staff Salaries	\$ 472,904	\$ 52,822	\$ 233,926	\$ 1,261,109	\$ 68,053	\$ 590,983	\$ -	\$ 2,679,797
Fringe Benefits	75,972	8,577	37,996	247,612	13,655	117,703	-	501,505
Total Salaries and Fringe Benefits	548,876	61,399	271,912	1,508,721	81,708	708,686	-	3,181,302
Advertising	11,395	1,286	5,697	-	-	36,839	-	55,217
Contract Services	51,201	2,143	109,648	44,520	36,975	94,667	-	339,154
Professional Fees	11,850	284,963	19,055	-	-	-	-	315,868
Membership Dues	519	59	260	-	-	-	-	838
Office and Camp Supplies	37,634	2,745	12,155	-	-	35,017	-	87,551
Interest	1,773	9,909	887	-	-	-	-	12,569
Telephone	5,336	603	2,668	30,437	630	5,433	-	45,107
Postage and Shipping	2,288	258	1,144	905,073	-	2,880	-	911,643
Occupancy	65,848	7,434	32,924	189,115	6,602	62,492	-	364,415
Repairs and Rental	22,262	2,514	11,132	9,548	-	40,125	-	85,581
Printing and Reproduction	16,291	1,839	8,145	-	-	2,232	-	28,507
Travel and Entertainment	25,103	2,834	12,552	186,289	-	35,100	-	75,589
Miscellaneous	41,933	6,410	75,219	-	2,666	-	-	312,517
Assistancehip	14,070	-	-	-	-	-	-	14,070
Depreciation and Amortization	5,453	616	2,727	-	153,358	-	-	162,154
Trucks - Insurance	-	-	-	201,236	-	-	-	201,236
Trucks - Fuel	-	-	-	101,068	-	-	-	101,068
Trucks - Maintenance	-	-	-	60,022	-	-	-	60,022
Trucks - Other	-	-	-	126,229	-	39,314	-	165,543
Logistics Transfer Costs	-	-	-	154,999	-	-	-	154,999
Less Expenses Netted Against Revenues on Statement of Activities:	861,832	385,012	566,125	3,517,257	281,939	1,062,785	-	6,674,950
Special Event Expenses	-	-	(173,883)	-	-	-	-	(173,883)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 861,832	\$ 385,012	\$ 392,242	\$ 3,517,257	\$ 281,939	\$ 1,062,785	\$ -	\$ 6,501,067