



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



Independent Auditor's Report

Board of Directors
LGS Foundation, Inc.
San Diego, CA

Opinion

We have audited the accompanying financial statements of LGS Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Bethesda, Maryland
November 15, 2024

Certified Public Accountants

LGS Foundation, Inc.
Statement of Financial Position
December 31, 2023

Assets

Cash	\$ 681,915
Investments	524,425
Pledge Receivables	57,180
Prepaid Expenses	8,344
Property and Equipment - Net	<u>9,540</u>
Total Assets	<u>\$ 1,281,404</u>

Liabilities and Net Assets

Liabilities

Accounts Payable and Accrued Expenses	\$ 21,168
Grants Payable	67,490
Deferred Revenue	<u>155,000</u>
Total Liabilities	<u>243,658</u>

Net Assets

Without Donor Restrictions	976,671
With Donor Restrictions	<u>61,075</u>
Total Net Assets	<u>1,037,746</u>
Total Liabilities and Net Assets	<u>\$ 1,281,404</u>

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 918,507	\$ 81,075	\$ 999,582
Contributions - In-Kind	23,691	-	23,691
Contracts	1,840	-	1,840
Investment Income (Loss) - Net	18,905	-	18,905
Registration	31,006	-	31,006
Net Assets Released from Restrictions	322,631	(322,631)	-
	<u>1,316,580</u>	<u>(241,556)</u>	<u>1,075,024</u>
Total Revenue			
Expenses			
Program Services	1,078,550	-	1,078,550
General and Administration	114,057	-	114,057
Fundraising	60,677	-	60,677
	<u>1,253,284</u>	<u>-</u>	<u>1,253,284</u>
Total Expense			
Change in Net Assets	<u>63,296</u>	<u>(241,556)</u>	<u>(178,260)</u>
Net Assets, Beginning of Year	<u>913,375</u>	<u>302,631</u>	<u>1,216,006</u>
Net Assets, End of Year	<u>\$ 976,671</u>	<u>\$ 61,075</u>	<u>\$ 1,037,746</u>

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.

**Statement of Functional Expense
For the Year Ended December 31, 2023**

	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 547,552	\$ 64,779	\$ 32,229	\$ 644,560
Consulting and Professional Fees	51,231	38,002	538	89,771
Grants and Scholarships	125,951	-	-	125,951
Meetings and Events	159,669	(1,464)	25,848	184,053
Office Expense	12,324	9,066	500	21,890
Marketing and Communications	101,686	878	1,373	103,937
Occupancy	-	1,614	-	1,614
Travel	29,801	4	-	29,805
Depreciation and Amortization	12,720	-	-	12,720
Information Technology	37,616	1,178	189	38,983
Total	<u>\$ 1,078,550</u>	<u>\$ 114,057</u>	<u>\$ 60,677</u>	<u>\$ 1,253,284</u>

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.
Statement of Cash Flows
For the Year Ending December 31, 2023

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ (178,260)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
(Gains) Losses on Investments	(4,363)
Depreciation and Amortization	12,720
(Increase) Decrease in Assets	
Pledge Receivables	204,385
Prepaid Expenses	49,862
Increase (Decrease) in Liabilities	
Accounts Payable	(4,524)
Grants Payable	44,990
Deferred Revenue	<u>(179,000)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(54,190)</u>
Cash Flows from Investing Activities	
Purchases of Investments	<u>(514,350)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(514,350)</u>
Increase (Decrease) in Cash	(568,540)
Cash, Beginning of Year	<u>1,250,455</u>
Cash, End of Year	<u>\$ 681,915</u>

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.

Notes to Financial Statements December 31, 2023

1. ORGANIZATION

The LGS Foundation, Inc. (the Foundation) was founded in 2008 to end the suffering and devastation caused by Lennox-Gastaut Syndrome (LGS). The Foundation:

- Mobilizes resources to drive scientific breakthroughs for stabilizing treatments for LGS, and one day, develop preventive and reversative therapies for this devastating early-life epilepsy syndrome.
- Fights for a world where the best medical care is not based on luck and where navigating and quarterbacking the healthcare system does not fall heavily on the shoulders of overburdened caregivers and patient families.
- Builds a strong, supportive, educated community.
- Offers timely, impactful support programs for patient families navigating the LGS journey.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

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

LGS Foundation, Inc.

**Notes to Financial Statements
December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional pledges receivable are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges receivable are expected to be collected within one year.

Conditional promises to give are recognized when the conditions are met.

Management determines the allowance for doubtful promises to give by using the historical experience and the aging of the promise to give population. Pledges are written off when deemed uncollectable. Based on management's evaluation, there is no allowance for doubtful promises to give as of December 31, 2023.

Pledges receivable are expected to be collected within one year.

Investments

Investments are carried in the aggregate at fair value. All unrealized and realized gains and losses, interest, and dividends, including amounts earned on permanently restricted net assets, are recorded as unrestricted or temporarily restricted revenues.

Investments are reported under ASC 320 Investments - Debt & Equity Securities. Under ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost or fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Expenditures for repairs and maintenance are expensed as incurred.

Revenue Recognition

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

There were no unrecognized conditional contributions as of December 31, 2023.

LGS Foundation, Inc.

**Notes to Financial Statements
December 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Special event revenue includes amounts paid by or on behalf of participants. Fees are based on published fixed rates and collected either at the time of registration, in advance resulting in a deferred revenue balance, or at the time that the event takes place and immediately recognized as revenue.

Registrations include amounts paid by or on behalf of participants. Fees are based on published fixed rates and collected either at the time of registration, in advance resulting in a deferred revenue balance, or at the time that the event takes place and immediately recognized as revenue. As of December 31, 2023, there was \$155,000 of deferred revenues related to the conference.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function have been allocated among the programs and supporting services based on time and effort.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2023.

The Foundation's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2023.

Generally, the Foundation is no longer subject to U.S. federal or state examinations for returns filed before 2020.

LGS Foundation, Inc.

Notes to Financial Statements December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires the Foundation to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Subsequent Events

Management has evaluated subsequent events through November 15, 2024 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2023, the Foundation's balances exceeded the FDIC insured limit by approximately \$151,000.

4. INVESTMENTS

Financial assets measured using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets. Financial assets measured using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive assets. Financial assets valued using Level 3 inputs are valued using unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs are developed based on the best information available in the circumstances, which might include Foundation's own data and assumptions.

Fair values of assets measured on a recurring basis at December 31, 2023, are as follows:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Money Market	\$ 1,106	\$ 1,106	\$ -
Mutual Funds - Equity	8,782	8,782	-
Certificates of Deposit	514,537	-	514,537
	<u>\$ 524,425</u>	<u>\$ 9,888</u>	<u>\$ 514,537</u>

LGS Foundation, Inc.

**Notes to Financial Statements
December 31, 2023**

4. INVESTMENTS (CONTINUED)

Investment income for the year ended December 31, 2023 was:

Interest and Dividends	\$ 14,542
Net Gains (and Losses)	<u>4,363</u>
Net Investment Income (Loss)	<u>\$ 18,905</u>

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 consisted of the following:

Website	\$ 38,159
Accumulated Depreciation and Amortization	<u>(28,619)</u>
	<u>\$ 9,540</u>

Depreciation and amortization expense for the year ended December 31, 2023 was \$12,720.

6. NET ASSETS

Net assets with donor restrictions as of and for the year ended December 31, 2023 were as follows:

	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Net Assets Released</u>	<u>End of Year</u>
Time Restricted	<u>\$ 302,631</u>	<u>\$ 81,075</u>	<u>\$ (322,631)</u>	<u>\$ 61,075</u>

Net assets without donor restrictions were un-designated.

7. CONTRIBUTIONS – IN - KIND

During 2023, the Foundation received \$23,691 of donated items that were auctioned at a fundraising event. The contributions – in-kind were recorded at fair value when donated.

LGS Foundation, Inc.
Notes to Financial Statements
December 31, 2023

8. LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets at December 31, 2023:

Financial Assets at Year End:

Cash	\$ 681,915
Investments	524,425
Pledge Receivables	57,180
	1,263,520

Total Financial Assets

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	61,075
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	(61,075)
Quasi Endowment Established by the Board	-
	-

Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	\$ 1,263,520
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As part of the Foundation's liquidity management plan, cash in excess of daily requirements is assessed to determine if amounts can be transferred to income generating accounts.