

EPILEPSY FOUNDATION OF FLORIDA, INC.
FINANCIAL STATEMENTS AND REPORTS
ON COMPLIANCE AND ON INTERNAL CONTROL
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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PINCHASIK • YELEN • MUSKAT • STEIN, LLC

Certified Public Accountants and Associates

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Epilepsy Foundation of Florida, Inc.
Miami, Florida

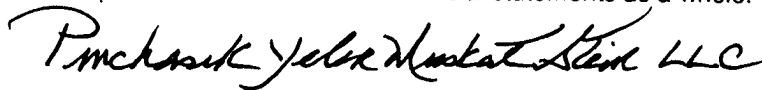
We have audited the accompanying statements of financial position of Epilepsy Foundation of Florida, Inc. (the "Organization"), a non-profit organization, as of June 30, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 9, 2012 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis in accordance with Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and is not a required part of the basic 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 basic 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 basic financial statements as a whole.



January 9, 2012

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 544,647	\$ 559,736
Grants and other receivables	2,741,602	3,100,768
Property and equipment, net	80,805	36,672
Other assets	<u>57,731</u>	<u>54,580</u>
Total assets	<u>\$ 3,424,785</u>	<u>\$ 3,751,756</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 55,680	\$ 346,874
Payable to providers	102,167	352,027
Deferred revenue	2,674,223	2,446,951
Line of credit	<u>-</u>	<u>20,000</u>
Total liabilities	<u>2,832,070</u>	<u>3,165,852</u>
NET ASSETS		
Unrestricted	544,802	537,991
Temporarily restricted	<u>47,913</u>	<u>47,913</u>
Total net assets	<u>592,715</u>	<u>585,904</u>
Total liabilities and net assets	<u>\$ 3,424,785</u>	<u>\$ 3,751,756</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,

	2011		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ 2,907,682		\$2,907,682
Contributions	207,430	\$ 14,705	222,135
United Way	118,007		118,007
Special events, net	382,267		382,267
In-kind medical services	756,398		756,398
Fees and other income	148,940		148,940
Net assets released from restriction	14,705	(14,705)	-
Total support and revenue	4,535,429	-	4,535,429
EXPENSES			
Patient services	3,463,131		3,463,131
Prevention and education services	646,552		646,552
Management and general	252,493		252,493
Fundraising	166,442		166,442
Total expenses	4,528,618		4,528,618
CHANGE IN NET ASSETS	6,811		6,811
BEGINNING NET ASSETS	537,991	47,913	585,904
ENDING NET ASSETS	\$ 544,802	\$ 47,913	\$ 592,715
	2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ 3,985,094		\$3,985,094
Contributions	122,110	\$ 10,795	132,905
United Way	126,979		126,979
Special events, net	203,731		203,731
In-kind medical services	659,340		659,340
Fees and other income	25,119		25,119
Net assets released from restriction	13,502	(13,502)	-
Total support and revenue	5,135,875	(2,707)	5,133,168
EXPENSES			
Patient services	3,525,169		3,525,169
Prevention and education services	1,122,117		1,122,117
Management and general	344,194		344,194
Fundraising	127,739		127,739
Total expenses	5,119,219		5,119,219
CHANGE IN NET ASSETS	16,656	(2,707)	13,949
BEGINNING NET ASSETS	521,335	50,620	571,955
ENDING NET ASSETS	\$ 537,991	\$ 47,913	\$ 585,904

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,811	\$ 13,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,996	4,255
Changes in operating assets and liabilities:		
Decrease in grants and other receivables	359,167	660,296
Increase in other assets	(3,151)	(32,662)
Increase (decrease) in accounts payable and accrued expenses	(291,194)	180,772
Increase (decrease) in payable to providers	(249,860)	21,323
Increase (decrease) in deferred revenue	<u>227,272</u>	<u>(825,993)</u>
Net cash provided by operating activities	<u>61,041</u>	<u>21,940</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(56,130)</u>	<u>(37,326)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction on line of credit	<u>(20,000)</u>	<u>(180,000)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,089)	(195,386)
 BEGINNING CASH AND CASH EQUIVALENTS	<u>559,736</u>	<u>755,122</u>
 ENDING CASH AND CASH EQUIVALENTS	<u>\$ 544,647</u>	<u>\$ 559,736</u>
 SUPPLEMENTAL DISCLOSURE		
Interest paid	<u>\$ 1,790</u>	<u>\$ 1,412</u>

See accompanying notes to financial statements.

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Patient Services	Prevention and Education Services	Management and General	Fundraising	Total
Computer support and supplies	\$ 33,399	\$ 16,406	\$ 6,445	\$ 2,344	\$ 58,594
Depreciation	-	-	11,996	-	11,996
Equipment rental and maintenance	17,171	8,435	3,314	1,205	30,125
In-kind medical services	756,398	-	-	-	756,398
Insurance	15,308	7,520	2,954	1,074	26,856
Medical services	563,336	-	-	-	563,336
Meeting and travel expenses	46,274	22,731	8,930	3,247	81,182
Occupancy	113,413	55,712	21,887	7,958	198,970
Office supplies and expenses	25,576	12,564	4,936	1,795	44,871
Other expenses	43,329	21,284	8,362	3,041	76,016
Printing and publications	23,931	504	756	-	25,191
Professional and contracted services	61,706	13,815	14,736	1,842	92,099
Provider contracts	293,461	114,124	-	-	407,585
Salaries and benefits	1,375,998	343,999	161,882	141,647	2,023,526
Support groups	61,218	13,438	-	-	74,656
Telephone	32,613	16,020	6,295	2,289	57,217
Total Expenses	\$ 3,463,131	\$ 646,552	\$ 252,493	\$ 166,442	\$ 4,528,618

EPILEPSY FOUNDATION OF FLORIDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Patient Services	Prevention and Education Services	Support Services			Total
			Management and General	Fundraising		
Computer support and supplies	\$ 23,250	\$ 10,764	\$ 6,458	\$ 2,583	\$	43,055
Depreciation	-	-	4,255	-	-	4,255
Equipment rental and maintenance	11,053	5,117	3,070	1,228	-	20,468
In-kind medical services	659,340	-	-	-	-	659,340
Insurance	14,466	3,239	3,455	432	-	21,592
Medical services	364,801	-	-	-	-	364,801
Meeting and travel expenses	40,006	18,521	11,113	4,445	-	74,085
Occupancy	97,190	44,995	26,997	10,799	-	179,981
Office supplies and expenses	20,376	9,209	5,040	2,210	-	36,835
Other expenses	21,110	9,773	5,864	2,346	-	39,093
Printing and publications	5,219	127	144	-	-	5,490
Professional and contracted services	96,358	21,573	23,011	2,876	-	143,818
Provider contracts	1,155,603	758,701	134,475	-	-	2,048,779
Salaries and benefits	939,947	218,910	115,167	98,762	-	1,372,786
Support groups	57,929	12,613	-	-	-	70,542
Telephone	18,521	8,575	5,145	2,058	-	34,299
Total Expenses	\$ 3,525,169	\$ 1,122,117	\$ 344,194	\$ 127,739	\$	\$ 5,119,219

EPILEPSY FOUNDATION OF FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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 principal agency for epilepsy programs and services sponsored by the State of Florida. The Organization was formed under the Laws of the State of Florida in 1971.

The Organization provides health and social services to persons with seizure disorders. Services provided include preventive services, case management and counseling services for persons with epilepsy and their families, information and referrals, support groups and community education.

Lead Agency for Statewide Epilepsy Services

Historically, the Organization was the sole statewide national affiliate leading the fight to stop seizures, find a cure and overcome challenges created by epilepsy. During fiscal year 2011, the Organization no longer represents the State of Florida Department of Health (DOH) as the lead agency but it is contracted by DOH to provide epilepsy services in 39 of the 67 Florida counties. The Organization provides direct services in 35 counties: 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, St. Johns, St. Lucie, Santa Rosa, Sumter, Suwannee, Union, Volusia and Walton Counties; and subcontracts with an epilepsy service provider to provide services in 4 counties in the Orlando area: Brevard, Orange, Osceola and Seminole Counties.

The Organization receives diverse grants from public and private foundations, the National Organization, various local municipalities and United Way foundations throughout the State of Florida. During the year ended June 30, 2011, the grant from the State of Florida Department of Transportation to distribute free bicycle helmets and printed materials to help prevent head injuries was not renewed. The Organization continues to be the grantee of the federal Health Rehabilitation Services Administration (HRSA) to develop programs for children with epilepsy.

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. The Financial Accounting Standards Board ("FASB") implemented the Accounting Standards Codification ("ASC") which establishes FASB ASC as the source of authoritative U.S. accounting and reporting standards for non-governmental entities.

These financial statements are presented in accordance with FASB ASC 958-205, *Presentation of Financial Statements*. In accordance with these standards, the Organization is required to classify its resources into three separate classes of net assets as follows:

Unrestricted

Unrestricted net assets include all net assets, which are neither temporarily or permanently restricted and are not subject to any donor-imposed stipulations.

EPILEPSY FOUNDATION OF FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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

Financial Statement Presentation (Continued)

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 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, 2011 and 2010.

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

The Organization considers deposits with banks and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants and Other Receivables

Amount reflected as grants receivable represents the difference between the grant awards and contractual revenues earned and cash receipts related to these awards and revenues. Other receivables consist of amounts due from customers for provided medical services and are stated at estimated net realizable value. No allowance for doubtful accounts was considered necessary at June 30, 2011 and 2010.

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. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven 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.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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

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 operation. The amount and timeliness in which the support from fundraising events and governmental agencies are 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.

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, a substantial number of other volunteers have donated significant amounts of their time to the Organization's program services and special events, including certain officers and directors, all of whom have served without compensation.

Donated professional services include doctor and specialist visits, medical tests and scans, blood testing and other related medical services. These services are provided to the Organization at negotiated prices but have been recorded in the accompanying statements of activities as in-kind medical services. The amount of donated professional services and medical testing amounted to approximately \$756,000 and \$659,000 for the years ended June 30, 2011 and 2010, respectively. The value of donated professional services is determined by the actual number of visits at the doctors' standard billing rates and the number of medical tests at standard billing rates.

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.

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. The Organization's open audit years are 2008 through 2011.

Allocation of Functional Expenses

Identifiable expenditures made in direct fulfillment of the Organization's expressed goals are classified as patient services or prevention and educational services. In addition, 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 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, 2011 AND 2010

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment comprises the following:

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Property and equipment	\$277,690	\$221,560
Less: accumulated depreciation	(196,885)	(184,888)
Total property and equipment	<u>\$ 80,805</u>	<u>\$ 36,672</u>

NOTE 3 - LINE OF CREDIT

The Organization has a \$200,000 revolving line of credit to satisfy the requirements of the Florida Department of Transportation helmet grant. The stated interest rate on the revolving line of credit was 5.0% at June 30, 2011 and 2010. The line of credit matures in November 2011 and is renewable annually under the line of credit agreement. The line of credit was extended to February 29, 2012.

NOTE 4 - PAYABLE TO PROVIDERS

Payable to providers represents amounts received or receivable by the lead agency (Miami-Dade) from the Department of Health and due to providers throughout Florida.

NOTE 5 - LEASES

Operating Leases

The Organization is obligated under separate non-cancellable operating leases for office equipment and space expiring at various dates through 2014. Total minimum rental payments under these non-cancellable operating leases are as follows:

<u>Years ending June 30,</u>	
2012	\$112,273
2013	94,002
2014	<u>58,523</u>
	<u>\$264,798</u>

In addition, the Organization leases certain office space on a month to month basis. Included in Occupancy in the accompanying statements of functional expenses, is rent expense of approximately \$177,000 and \$167,000 for the years ended June 30, 2011 and 2010, respectively.

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 6 - COMMITMENT AND CONTINGENCIES

The costs and unexpended funds reflected in the accompanying financial statements relating to government grant programs are subject to audit by the respective governmental agencies (funding sources).

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.

NOTE 7 - RETIREMENT PLAN

Effective July 1, 2006, the Organization established a 403(b) plan (the "Plan") where employees are eligible to participate on hire date and the Organization matches two percent of employee annual compensation. Effective January 1, 2009, the Organization eliminated the matching component of the Plan which was subsequently reinstated on July 1, 2010. The Organization's matching contribution expense for the year ended June 30, 2011 was approximately \$11,700.

NOTE 8 - ECONOMIC DEPENDENCE

The Organization provides its program services with funds primarily received from state and local governments. A reduction in the level of this funding, if this were to occur, may have a significant effect on the Organization's programs and activities. Revenues received under contracts with governmental entities represented 47% and 66% of the Organization's support and revenue for the years ended June 30, 2011 and 2010, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted solely of the Clayton Feig Scholarship as of June 30, 2011 and 2010. The purpose of the Clayton Feig Scholarship is to pay for children with epilepsy to go to summer camps.

NOTE 10 - UNITED WAY SUPPORT AND REVENUE

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

	June 30, <u>2011</u>	June 30, <u>2010</u>
United Way of Broward County, Inc.	\$ 55,567	\$ 60,365
United Way of Dade County, Inc.	54,747	59,357
United Way of Marion County, Inc.	1,968	2,032
United Way of Martin County, Inc.	4,225	4,725
United Way of St. Lucie County, Inc.	<u>1,500</u>	<u>500</u>
Total	<u>\$118,007</u>	<u>\$126,979</u>

The Organization's United Way of Broward County, Inc. funding has not been renewed for fiscal year 2011-2012.

EPILEPSY FOUNDATION OF FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 9, 2012, which is the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

EPILEPSY FOUNDATION OF FLORIDA, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2011

GRANTOR / PROGRAM TITLE	CSFA GRANT NUMBER	CONTRACT NUMBER	EXPENDITURES	TRANSFERS TO SUBRECIPIENTS
STATE OF FLORIDA				
Department of Health				
Epilepsy Services Program - Patient Services	64.036	COH2R	\$ 1,375,918	\$ 293,648
Epilepsy Services Program - Prevention and Education	64.036	COH2N	<u>694,144</u>	<u>113,937</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 2,070,062</u>	<u>\$ 407,585</u>

EPILEPSY FOUNDATION OF FLORIDA, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2011

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance includes the State of Florida grant activity of the Epilepsy Foundation of Florida, Inc. (the "Organization") for the year ended June 30, 2011.

NOTE 2 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 3 - SCOPE OF AUDIT PURSUANT TO THE FLORIDA SINGLE AUDIT ACT

All Florida state grant operations of the Organization are included in the scope of the Florida Single Audit Act (the "Act"). The Single Audit was performed in accordance with the provisions of the Act's Compliance Supplement. Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted in accompanying Schedule of Expenditures of State Financial Assistance.

NOTE 4 - CONTINGENCY

The grants revenue amount received are subject to audit and adjustment. If any expenditure is disallowed by the grantor agency as 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.

**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**

PINCHASIK • YELEN • MUSKAT • STEIN, LLC

Certified Public Accountants and Associates

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

We have audited the financial statements of Epilepsy Foundation of Florida, Inc. (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon dated January 9, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Pinchasik Yelen Muskat Stein LLC

January 9, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL
OF THE STATE OF FLORIDA**

PINCHASIK • YELEN • MUSKAT • STEIN, LLC

Certified Public Accountants and Associates

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

Compliance

We have audited Epilepsy Foundation of Florida, Inc.'s (the "Organization") compliance with the types of compliance requirements in accordance with Chapter 10.650, *Rules of the Auditor General of the State of Florida*, that are applicable to its major state project for the year ended June 30, 2011. The Organization's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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; and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Those standards and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination of the organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 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 major 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 state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

PINCHASIK • YELEN • MUSKAT • STEIN, LLC

Certified Public Accountants and Associates

This report is intended solely for the information and use of the Board of Directors, management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Pinchasik Yelen Muskat Stein LLC

January 9, 2012

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE PROJECT**

EPILEPSY FOUNDATION OF FLORIDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECT

YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

yes no
 yes none reported

Noncompliance material to financial statements noted?

yes no

State Financial Assistance

Type of auditor's report issued on compliance for major state project:

Unqualified

Internal control over major state project:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

yes no
 yes no

Any audit findings disclosed that are required to be reported in Accordance with Rule 10.650?

yes no

Identification of Major State Project:

Department of Health
Epilepsy Services Program
CSFA 64.036

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

\$300,000

Management letter issued?

yes no

EPILEPSY FOUNDATION OF FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECT
YEAR ENDED JUNE 30, 2011

SECTION II - FINDINGS - FINANCIAL STATEMENTS

MATERIAL WEAKNESS

Finding Number
2011-001

Criteria:

Timely and strict adherence to the internal controls over financial reporting is required by key finance personnel to ensure accurate financial reporting by the Organization.

Condition:

As a result of the failure of the Director of Finance to perform his responsibilities in an efficient and timely manner several financial statement amounts required adjustment.

Cause:

Already established internal controls over financial reporting were not timely and strictly adhered to and therefore the Organization was not able to prevent, detect and correct a material misstatement in the financial statements on a timely basis.

Effect:

While no irregularities were found, financial statements could have been materially misstated.

Recommendation:

We recommend the Organization increase the level of oversight over financial reporting to ensure strict and timely adherence to established internal control policies over financial reporting.

Auditee Response:

In the past, the Organization's level of oversight over internal control systems has been adequate. However, during the current fiscal year, the inadequate performance by the Finance Director, his lack of training and supervision of new personnel and time consuming changes in the accounting software program resulted in a lack of adherence to existing internal control procedures. Subsequently, the Organization has made the appropriate personnel changes to ensure the strict and timely adherence to existing internal control policies and procedures.

EPILEPSY FOUNDATION OF FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECT
YEAR ENDED JUNE 30, 2011

SECTION III - FINDINGS – STATE FINANCIAL ASSISTANCE

REPORTABLE CONDITIONS

There are no findings to report.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

REPORTABLE CONDITIONS

There are no findings to report.