LGS FOUNDATION
LENNOX GASTAUT SYNDROME

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of LGS Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814
202.770.6371 | www.mullinspc.com | john@mullinspc.com

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LGS Foundation, Inc., as of December 31, 2020, 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.

Mullin PC

Bethesda, Maryland
October 20, 2022

Certified Public Accountants

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814
202.770.6371 | www.mullinspc.com | john@mullinspc.com

LGS Foundation, Inc.

Statement of Financial Position
December 31, 2020

Assets

Cash	**$ 1,143,460**
Pledges Receivable	**250,333**
Total Assets	**$ 1,393,793**

Liabilities and Net Assets

Current Liabilities	
Accounts Payable and Accrued Expenses	**$ 24,216**
Deferred Revenue	**200,000**
Total Current Liabilities	**224,216**
Net Assets	
Without Donor Restrictions	**1,169,577**
Total Net Assets	**1,169,577**
Total Liabilities and Net Assets	**$ 1,393,793**

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.

Statement of Activities
For the Year Ended December 31, 2020

Revenue	
Contributions	**$ 973,228**
Special Events - Net of Expenses	**224,716**
Registration	**14,354**
Other	**3,800**
Net Assets Released from Restrictions	**-**
Total Revenue	**1,216,098**
Expenses	
Program Services	**367,800**
General and Administration	**43,834**
Fundraising	**21,745**
Total Expense	**433,379**
Change in Net Assets	**782,719**
Net Assets, Beginning of Year	**386,858**
Net Assets, End of Year	**$ 1,169,577**

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.

Statement of Functional Expense
For the Year Ended December 31, 2020

	Program	General & Administrative	Fundraising	**Total**
Personnel	$ -	$ -	$ -	**$ -**
Consulting and Professional Fees	255,830	29,587	-	**285,417**
Meetings and Events	10,032	-	-	**10,032**
Office Expense	1,667	609	930	**3,206**
Occupancy	2,529	924	1,410	**4,863**
Travel	3,658	1,337	2,040	**7,035**
Insurance	-	-	-	**-**
Marketing	8,651	3,161	4,824	**16,636**
Grants and Scholarships	62,947	-	-	**62,947**
Information Technology	22,486	8,216	12,541	**43,243**
Total	$ 367,800	$ 43,834	$ 21,745	**$ 433,379**

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.

Statement of Cash Flows
For the Year Ending December 31, 2020

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	**$ 782,719**
(Increase) Decrease in Assets	
Pledge Receivables	**(71,650)**
Increase (Decrease) in Liabilities	
Accounts Payable	**(12,092)**
Net Cash Provided by (Used in) Operating Activities	**698,977**
Increase (Decrease) in Cash	**698,977**
Cash, Beginning of Year	**444,483**
Cash, End of Year	**$ 1,143,460**

See accompanying Notes to Financial Statements.

LGS Foundation, Inc.

Notes to Financial Statements
December 31, 2020

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 statements 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.

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, 2020.

Pledges receivable are expected to be collected within one year.

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. 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. As of December 31, 2020, the Foundation had no property and equipment.

Contributions

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, 2020.

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, 2020, there was $200,000 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 statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020.

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 2020.

Generally, the Foundation is no longer subject to U.S. federal or state examinations for returns filed before 2017.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022. Management does not believe this pronouncement will have a material impact.

Subsequent Events

Management has evaluated subsequent events through October 20, 2022 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, 2020, the Foundation's balances exceeded the FDIC insured limit by approximately $885,000.

4. NET ASSETS

There were no net assets with donor restrictions as of December 31, 2020.

$50,000 of net assets without donor restrictions for the year ended December 31, 2020 were designated for research grants.

5. LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets at December 31, 2020:

Financial Assets at Year End:	
Cash	$ 1,143,460
Total Financial Assets	1,143,460
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	-
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	-
Quasi Endowment Established by the Board	-
	-
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 1,143,460

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.