

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Financial Statements

December 31, 2018 and 2017

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KNAPEK, GABRIELE & BOTTINI, LLP
Certified Public Accountants

"more than just the numbers..."
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capabilities Partnership, Inc.
West Nyack, New York

We have audited the accompanying financial statements of Capabilities Partnership, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capabilities Partnership, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Knappek, Gabriele & Bottini, LLP

Latham, New York
April 25, 2019

Latham:
43 British American Blvd.
Latham, NY 12110

(518) 459-5223
Page 1 of 15
Fax (518) 459-0208
www.kgbcpas.com

Saratoga (by appointment):
112 Spring St., Suite 109
Saratoga Springs, NY 12866

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Statement of Financial Position

December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	\$ 204,997	\$ 220,335
Restricted cash	58,878	46,635
Grants and contracts receivable	314,533	248,774
Contribution and other receivables	--	3,018
Due from related party	1,045	1,192
Prepaid expenses	<u>29,136</u>	<u>6,103</u>
Total Current Assets	608,589	526,057
 NET PROPERTY AND EQUIPMENT	 --	 6,948
 SECURITY DEPOSITS	 <u>38,290</u>	 <u>38,290</u>
 Total Assets	 <u>\$ 646,879</u>	 <u>\$ 571,295</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 52,857	\$ 24,746
Accrued expenses	100,959	79,216
Accrued pension expense	<u>26,000</u>	<u>19,502</u>
Total Current Liabilities	<u>179,816</u>	<u>123,464</u>
 NET ASSETS:		
Without donor restrictions	354,388	357,509
With donor restrictions	<u>112,675</u>	<u>90,322</u>
Total Net Assets	<u>467,063</u>	<u>447,831</u>
 Total Liabilities and Net Assets	 <u>\$ 645,879</u>	 <u>\$ 571,295</u>

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Fees and grants from governmental and other agencies	\$ 2,026,912	\$ 52,502	\$ 2,079,414
Contributions and other support	9,876	5,000	14,876
Special events	--	59,485	59,485
Donated services	33,780	--	33,780
Interest income	405	--	405
Net assets released from restrictions			
Restriction satisfied by donor authorization	42,134	(42,134)	--
Restriction satisfied by reporting requirements	<u>52,500</u>	<u>(52,500)</u>	<u>--</u>
Total Revenue and Support	<u>2,165,607</u>	<u>22,353</u>	<u>2,187,960</u>
EXPENSES:			
Program Services:			
Traumatic Brain Injury	447,221	--	447,221
Epilepsy Support Services	334,389	--	334,389
ACCES-VR Vocational Program	293,109	--	293,109
Clinical Information, Referral and Counseling	268,552	--	268,552
Supported Employment OPWDD Program	175,716	--	175,716
Family Support Services	155,310	--	155,310
Medicaid / Care Coordination	131,572	--	131,572
Education Grant - Epilepsy Coalition	53,069	--	53,069
McCarthy Socialization/Other	30,036	--	30,036
Individual Service Support	<u>12,678</u>	<u>--</u>	<u>12,678</u>
Total Program Services	<u>1,901,652</u>	<u>--</u>	<u>1,901,652</u>
Support Services:			
Management and general	243,495	--	243,495
Fundraising	<u>23,581</u>	<u>--</u>	<u>23,581</u>
Total Support Services	<u>267,076</u>	<u>--</u>	<u>267,076</u>
Total Expenses	<u>2,168,728</u>	<u>--</u>	<u>2,168,728</u>
CHANGE IN NET ASSETS	(3,121)	22,353	19,232
NET ASSETS , beginning of year	<u>357,509</u>	<u>90,322</u>	<u>447,831</u>
NET ASSETS , end of year	<u>\$ 354,388</u>	<u>\$ 112,675</u>	<u>\$ 467,063</u>

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Fees and grants from governmental and other agencies	\$ 1,965,254	\$ 52,500	\$ 2,017,754
Contributions and other support	11,617	--	11,617
Special events	--	50,827	50,827
Donated services	4,813	--	4,813
Interest income	346	--	346
Net assets released from restrictions			
Restriction satisfied by donor authorization	53,837	(53,837)	--
Restriction satisfied by reporting requirements	<u>53,940</u>	<u>(53,940)</u>	<u>--</u>
Total Revenue and Support	<u>2,089,807</u>	<u>(4,450)</u>	<u>2,085,357</u>
EXPENSES:			
Program Services:			
Traumatic Brain Injury	478,475	--	478,475
Epilepsy Support Services	319,783	--	319,783
Clinical Information, Referral and Counseling	257,020	--	257,020
ACCES-VR Vocational Program	237,245	--	237,245
Supported Employment OPWDD Program	190,600	--	190,600
Family Support Services	147,156	--	147,156
Medicaid Service Coordination	121,830	--	121,830
Education Grant - Epilepsy Coalition	53,063	--	53,063
McCarthy Socialization/Other	39,800	--	39,800
Individual Service Support	<u>12,995</u>	<u>--</u>	<u>12,995</u>
Total Program Services	<u>1,857,967</u>	<u>--</u>	<u>1,857,967</u>
Support Services:			
Management and general	223,235	--	223,235
Fundraising	<u>24,565</u>	<u>--</u>	<u>24,565</u>
Total Support Services	<u>247,800</u>	<u>--</u>	<u>247,800</u>
Total Expenses	<u>2,105,767</u>	<u>--</u>	<u>2,105,767</u>
CHANGE IN NET ASSETS	(15,960)	(4,450)	(20,410)
NET ASSETS, beginning of year	<u>373,469</u>	<u>94,772</u>	<u>468,241</u>
NET ASSETS, end of year	<u>\$ 357,509</u>	<u>\$ 90,322</u>	<u>\$ 447,831</u>

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Statement of Functional Expenses

Program Services

Year Ended December 31, 2018

	Traumatic Brain Injury	Epilepsy Support Services	ACCES-VR Vocational Program	Clinical Information, Referral & Counseling	Supported Empl. OPWDD Program	Family Support Services	Medicaid / Care Coordination	Education Grant Epilepsy Coalition	McCarthy Socialization/ Other	Individual Service Support	Total Program Expenses
Functional Expenses											
Compensation											
Salary & wages	\$ 287,051	\$ 261,519	\$ 173,353	\$ 137,388	\$ 107,436	\$ 114,305	\$ 85,073	\$ 42,203	\$ 4,201	\$ --	\$ 1,212,529
Fringe benefits	<u>79,011</u>	<u>67,788</u>	<u>47,566</u>	<u>36,312</u>	<u>27,919</u>	<u>21,191</u>	<u>15,847</u>	<u>9,316</u>	<u>1,090</u>	<u>462</u>	<u>306,502</u>
Total compensation	366,062	329,307	220,919	173,700	135,355	135,496	100,920	51,519	5,291	462	1,519,031
Other expenses											
Rent and utilities	48,731	--	29,935	90,857	16,458	--	18,433	--	--	--	204,414
Travel	16,871	355	25,855	533	14,362	5,329	7,988	711	178	--	72,182
Telephone	3,747	2,763	2,302	1,121	1,265	1,165	1,417	420	594	--	14,794
Supplies and materials	4,532	--	4,346	--	2,478	--	178	64	929	--	12,527
Staff development	1,235	--	492	--	271	--	684	45	--	--	2,727
Insurance	2,929	1,817	1,799	1,664	989	835	1,108	--	--	--	11,141
Professional fees	--	--	--	--	--	--	--	--	--	--	--
Technology	739	147	841	--	463	--	280	--	--	--	2,470
Repairs and maintenance	--	--	--	677	--	--	--	--	--	--	677
Miscellaneous	--	--	--	--	--	--	--	--	--	--	--
Scholarships/consumer outings	--	--	--	--	--	--	--	--	22,384	--	22,384
Dues and subscriptions	224	--	--	--	--	--	--	200	--	--	424
Consumer support/reimbursement	--	--	--	--	--	12,485	--	--	--	12,216	24,701
Depreciation	660	--	--	--	--	--	--	--	660	--	1,320
Equipment rental	1,491	--	916	--	503	--	564	--	--	--	3,474
Expensed equipment	--	--	5,704	--	3,139	--	--	110	--	--	8,953
Recruitment	--	--	--	--	433	--	--	--	--	--	433
Total other expenses	<u>81,159</u>	<u>5,082</u>	<u>72,190</u>	<u>94,852</u>	<u>40,361</u>	<u>19,814</u>	<u>30,652</u>	<u>1,550</u>	<u>24,745</u>	<u>12,216</u>	<u>382,621</u>
Total expenses	<u>\$447,221</u>	<u>\$ 334,389</u>	<u>\$ 293,109</u>	<u>\$ 268,552</u>	<u>\$ 175,716</u>	<u>\$ 155,310</u>	<u>\$ 131,572</u>	<u>\$ 53,069</u>	<u>\$ 30,036</u>	<u>\$ 12,678</u>	<u>\$ 1,901,652</u>

See Independent Auditor's Report and Notes to Financial Statements
(continued on following page)

**CAPABILITIES PARTNERSHIP, INC.
DBA EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

**Statement of Functional Expenses
(continued)**

Support Services

Year Ended December 31, 2018

	Management and General	Fund Raising	Total Support Services	Total Program and Support Services
Functional expenses:				
Compensation				
Salaries and wages	\$ 102,080	\$ 4,203	\$ 106,283	\$ 1,318,812
Fringe benefits	<u>19,605</u>	<u>792</u>	<u>20,397</u>	<u>326,899</u>
Total compensation	<u>121,685</u>	<u>4,995</u>	<u>126,680</u>	<u>1,645,711</u>
Other expenses				
Rent and utilities	22,379	--	22,379	226,793
Travel	178	36	214	72,396
Telephone	2,905	--	2,905	17,699
Supplies and materials	1,866	--	1,866	14,393
Staff development	711	--	711	3,438
Insurance	2,636	--	2,636	13,777
Professional fees	52,969	--	52,969	52,969
Technology	18,928	--	18,928	21,398
Repairs and maintenance	7,750	--	7,750	8,427
Miscellaneous	3,213	324	3,537	3,537
Scholarships/consumer outings	--	--	--	22,384
Dues and subscriptions	125	--	125	549
Consumer support/reimbursement	--	--	--	24,701
Depreciation	5,628	--	5,628	6,948
Event cost	--	18,226	18,226	18,226
Interest	130	--	130	130
Equipment rental	1,158	--	1,158	4,632
Expensed equipment	--	--	--	8,953
MTA tax	1,234	--	1,234	1,234
Recruitment	--	--	--	433
Total other expenses	<u>121,810</u>	<u>18,586</u>	<u>140,396</u>	<u>523,017</u>
Total expenses	<u>\$ 243,495</u>	<u>\$ 23,581</u>	<u>\$ 267,076</u>	<u>\$ 2,168,728</u>

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Statement of Functional Expenses

Program Services

Year Ended December 31, 2017

	Traumatic Brain Injury	Epilepsy Support Services	Clinical Information, Referral & Counseling	ACCES-VR Vocational Program	Supported Empl. OPWDD Program	Family Support Services	Medicaid Service Coordination	Education Grant Epilepsy Coalition	McCarthy Socialization/ Other	Individual Service Support	Total Program Expenses
Functional Expenses											
Compensation											
Salary & wages	\$ 297,091	\$ 248,001	\$ 126,853	\$ 140,627	\$ 118,033	\$ 111,004	\$ 79,544	\$ 44,763	\$ 3,655	\$ --	\$ 1,169,571
Fringe benefits	<u>84,179</u>	<u>65,333</u>	<u>31,418</u>	<u>40,113</u>	<u>32,007</u>	<u>20,216</u>	<u>15,504</u>	<u>6,822</u>	<u>875</u>	<u>462</u>	<u>296,929</u>
Total compensation	381,270	313,334	158,271	180,740	150,040	131,220	95,048	51,585	4,530	462	1,466,500
Other expenses											
Rent and utilities	55,995	--	92,799	26,196	18,922	--	15,361	--	--	--	209,273
Travel	15,963	614	921	23,931	17,289	3,070	7,367	614	307	--	70,076
Telephone	4,033	3,703	2,615	1,887	1,363	1,155	1,107	417	--	--	16,280
Supplies and materials	10,610	--	--	328	237	--	173	297	1,691	--	13,336
Staff development	1,925	--	--	232	168	--	839	50	--	--	3,214
Insurance	3,434	1,954	1,793	1,607	1,161	898	942	--	--	--	11,789
Professional fees	--	--	--	--	--	--	--	--	--	--	--
Technology	925	178	--	844	609	--	253	--	--	--	2,809
Repairs and maintenance	--	--	621	--	--	--	--	--	--	--	621
Miscellaneous	477	--	--	395	26	--	75	--	--	--	973
Scholarships/consumer outings	--	--	--	--	--	--	--	--	32,613	--	32,613
Dues and subscriptions	506	--	--	273	198	--	189	100	--	--	1,266
Consumer support/reimbursement	941	--	--	--	--	10,813	--	--	--	12,533	24,287
Depreciation	660	--	--	--	--	--	--	--	659	--	1,319
Equipment rental	1,736	--	--	812	587	--	476	--	--	--	3,611
Recruitment	--	--	--	--	--	--	--	--	--	--	--
Total other expenses	<u>97,205</u>	<u>6,449</u>	<u>98,749</u>	<u>56,505</u>	<u>40,560</u>	<u>15,936</u>	<u>26,782</u>	<u>1,478</u>	<u>35,270</u>	<u>12,533</u>	<u>391,467</u>
Total expenses	<u>\$ 478,475</u>	<u>\$ 319,783</u>	<u>\$ 257,020</u>	<u>\$ 237,245</u>	<u>\$ 190,600</u>	<u>\$ 147,156</u>	<u>\$ 121,830</u>	<u>\$ 53,063</u>	<u>\$ 39,800</u>	<u>\$ 12,995</u>	<u>\$ 1,857,967</u>

See Independent Auditor's Report and Notes to Financial Statements
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**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

**Statement of Functional Expenses
(continued)**

Support Services

Year Ended December 31, 2017

	Management and General	Fund Raising	Total Support Services	Total Program and Support Services
Functional expenses:				
Compensation				
Salaries and wages	\$ 95,623	\$ 4,111	\$ 99,734	\$ 1,269,305
Fringe benefits	<u>17,953</u>	<u>750</u>	<u>18,703</u>	<u>315,632</u>
Total compensation	<u>113,576</u>	<u>4,861</u>	<u>118,437</u>	<u>1,584,937</u>
Other expenses				
Rent and utilities	22,321	--	22,321	231,594
Travel	184	61	245	70,321
Telephone	2,414	--	2,414	18,694
Supplies and materials	3,154	--	3,154	16,490
Staff development	1,592	--	1,592	4,806
Insurance	2,781	--	2,781	14,570
Professional fees	28,823	--	28,823	28,823
Technology	19,809	--	19,809	22,618
Repairs and maintenance	7,219	--	7,219	7,840
Miscellaneous	2,238	110	2,348	3,321
Scholarships/consumer outings	--	--	--	32,613
Dues and subscriptions	120	--	120	1,386
Consumer support/reimbursement	--	--	--	24,287
Depreciation	16,918	--	16,918	18,237
Event cost	--	19,533	19,533	19,533
Interest	90	--	90	90
Equipment rental	1,204	--	1,204	4,815
MTA tax	733	--	733	733
Recruitment	<u>59</u>	<u>--</u>	<u>59</u>	<u>59</u>
Total other expenses	<u>109,659</u>	<u>19,704</u>	<u>129,363</u>	<u>520,830</u>
Total expenses	<u>\$ 223,235</u>	<u>\$ 24,565</u>	<u>\$ 247,800</u>	<u>\$ 2,105,767</u>

**CAPABILITIES PARTNERSHIP, INC.
DBA EPILEPSY SOCIETY OF SOUTHERN NEW**

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 19,232	\$ (20,410)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	6,948	18,237
Changes in:		
Grants, contracts, and contribution receivable	(62,741)	56,644
Due from related parties	147	(562)
Prepaid expenses	(23,033)	18,148
Security deposit	--	1,500
Accounts payable and accrued expenses	56,352	(24,494)
Deferred income	<u> --</u>	<u> (89,135)</u>
NET CASH USED IN OPERATING ACTIVITIES	(3,095)	(40,072)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>266,970</u>	<u>307,042</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 263,875</u>	<u>\$ 266,970</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 130</u>	<u>\$ 90</u>

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Capabilities Partnership, Inc. (hereafter referred to as CPI or the Organization) is an exempt organization for federal and state income tax purposes under Section 501(c)(3) of the Internal Revenue Code. Established in 2006, CPI assists persons with epilepsy, traumatic brain injury and other neurological impairments through various programs it administers. CPI was formed to administer certain programs previously managed by the Epilepsy Society of Southern New York, Inc. (Society) a related nonprofit organization.

The origins of CPI; however, date back to 1977 when Epilepsy Society of Southern New York, Inc. (name changed several times) was incorporated as a 501(c)(3) entity in New York State. In 2006, CPI took over certain programs previously administered by Society. In 2014, the two Agencies merged and became one 501(c)(3) Agency operating under the name, Capabilities Partnership Inc. dba Epilepsy Society of Southern New York.

Basis of Accounting

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

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, CPI is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CPI considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash and cash equivalents consist of bank deposits, certificates of deposits and money market funds.

CPI maintained its cash at one financial institution which, at times exceeded the federally-insured limits. At December 31, 2018 uninsured cash deposits were \$15,161. The Organization believes it is not exposed to any significant credit risk related to its cash and cash equivalents.

Property, Equipment and Depreciation

Property and equipment are stated at cost when purchased or fair value at the date of donation. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in income. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Depreciation expense for the years ended December 31, 2018 and 2017 was \$6,948 and \$18,237 respectively. These assets were fully depreciated at December 31, 2018.

Revenue Recognition

Funding includes resources without donor restrictions and with donor restrictions. While revenue received from government contracts are expendable for specified purposes, they are generally considered to be without donor restrictions. These contracts are in substance exchange transactions. An exchange transaction occurs when funds are received in exchange for the performance of specified services.

Contributions received are recorded as with donor restrictions or without donor restrictions.

Restricted funds are established to account for those resources available for use, but expendable only for the purposes specified by the government agency or donor. All support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses and Allocation of Supporting Service Expenditures

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The direct costs related to special events of \$14,238 and \$11,735 for the years ended December 31, 2018 and 2017, respectively, have been netted against the income from such events.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills, would typically need to be purchased if not provided by donation. Such contributions are recorded at their fair value in the period received.

Contributed legal services amounted to \$28,190 and \$4,813 in 2018 and 2017 respectively. Contributed office supplies amounted to \$5,590 at December 31, 2018.

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 2. PROGRAMS ADMINISTERED BY CPI

- Traumatic Brain Injury
- Epilepsy Support Services
- ACCES-VR Vocational Program
- Clinical Information, Referral and Counseling
- Supported Employment OPWDD Program
- Family Support Services
- Medicaid / Care Coordination
- Education Grant - Epilepsy Coalition
- McCarthy Socialization/Other
- Individual Service Support

As of July 2018, OPWDD (Office for People with Developmental Disabilities) has moved all the services previously provided under Medicaid Service Coordination (MSC) to newly established independent Care Coordination Organizations (CCO). No later than July 1, 2019, CPI will no longer provide MSC services.

In July 2018, CPI contracted with Tri-County Care, LLC, a CCO to assist with the transition of our MSC services. During this one year transition (July 1, 2018 through June 30, 2019) CPI is performing similar services previously performed under the Medicaid Service Coordination Program, but CPI no longer bills Medicaid. Instead CPI bills Tri-County Care, LLC. On July 1, 2019, all these services and the staff who performs them, will be transitioned to Tri-County Care, LLC.

NOTE 3. RESTRICTED CASH

A restricted cash account was established for contributions received for the Chris McCarthy Socialization Fund. The fund was established to honor the memory of Chris McCarthy, a long-time consumer of CPI. Contributions to the fund are reported as an increase to net assets with donor restrictions. The use of the fund is directed by the family of Chris McCarthy. As the family directs the use of the funds, they are reclassified to net assets without donor restrictions.

NOTE 4. GRANTS AND CONTRACTS RECEIVABLE

	2018	2017
ACCES-VR Vocational Program	\$ 116,793	\$ 56,971
Traumatic Brain Injury	82,058	59,717
Epilepsy Support Services	35,725	35,724
Supported Employment OPWDD Program	25,878	46,745
Medicaid / Care Coordination	20,895	14,137
Family Support Services	16,415	16,413
Epilepsy Coalition	15,189	15,189
Individual Service Support	1,209	1,209
Westchester County	362	362
Miscellaneous	9	--
Rockland County	--	2,307
	<u>\$ 314,533</u>	<u>\$ 248,774</u>

CPI uses the allowance method to account for uncollectible grants and contracts receivable. The allowance for doubtful accounts is based on management's identification and evaluation of past due receivables, which includes an assessment of the individual factors that have contributed to the delinquency. Based on such evaluation, CPI considers receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

**CAPABILITIES PARTNERSHIP, INC. DBA
EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 5. PROPERTY AND EQUIPMENT

Depreciation of property and equipment is calculated on the straight-line method over the following estimated useful lives:

Furniture and fixtures	5-10 years
Computer equipment	5 years
Telephone equipment	5 years
Leasehold improvements	Life of the lease

Property and equipment and related accumulated depreciation at December 31, are summarized as follows:

	2018	2017
Furniture and fixtures	\$ 94,936	\$ 94,936
Computer equipment	6,218	6,218
Telephone equipment	19,479	19,479
Leasehold improvements	<u>169,552</u>	<u>169,552</u>
	290,185	290,185
Less: accumulated depreciation	<u>(290,185)</u>	<u>(283,237)</u>
	<u>\$ --</u>	<u>\$ 6,948</u>

NOTE 6. LINE OF CREDIT

CPI has a \$150,000 working capital revolving credit agreement with a bank. Interest rate floor is 5.5% and the interest rate was 6% at December 31, 2018. The line is collateralized by all assets of CPI. The original credit facility terminated June 30, 2014 and has been extended and modified. The extension modification agreement includes an extended draw period to expire July 31, 2020 and an extended term loan maturity date of August 1, 2025. The line was fully available at December 31, 2018.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2018	2017
Socialization - Chris McCarthy	\$ 55,173	\$ 37,822
Epilepsy Support Services	35,725	35,724
Family Support Services	16,415	16,414
Day Program	5,000	--
Westchester County Contract	<u>362</u>	<u>362</u>
	<u>\$ 112,675</u>	<u>\$ 90,322</u>

Net assets were released from restrictions by fulfilling the stipulations specified by government agencies and donors as follows:

	2018	2017
Socialization - Chris McCarthy	\$ 42,134	\$ 53,837
Epilepsy Support Services	35,724	35,652
Family Support Services	16,414	17,927
Westchester County Contract	<u>362</u>	<u>361</u>
	<u>\$ 94,634</u>	<u>\$ 107,777</u>

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 8. COMMITMENTS

CPI had operating leases for its offices in West Nyack and Middletown New York; both expired in 2018.

The Organization entered into a new lease agreement for its West Nyack office for five years beginning January 1, 2019 and ending December 31, 2023. Monthly lease payments in 2019 and 2020 will be \$6,500; increasing to \$6,695 in 2021 and 2022, and increasing to \$6,896 in 2023.

CPI entered into a two year lease for its Orange County office in 2019. The lease commences February 1, 2019 and ends January 31, 2021. Monthly rent will be \$1,100. The lease includes an option to renew for two years with monthly rent of \$1,175.

Included in security deposits on the balance sheet is a deposit on the lease for West Nyack of \$36,500 and a security deposit on behalf of a consumer of \$1,790 for a consumer's lease, which is refundable to CPI upon the expiration of the lease.

CPI has two noncancelable equipment operating leases with lease terms ranging between 36 and 41 months.

Future minimum payments for the leases are as follows:

2019	\$	94,732
2020		95,832
2021		86,072
2022		80,440
2023		<u>82,750</u>
	\$	<u>439,826</u>

These leases will be accounted for under FASB ASU No. 2016-02, Leases (Topic 842) whereby the leases will be accounted for as a right-to-use asset on the balance sheet and the obligation under the lease as a liability on the balance sheet.

NOTE 9. PENSION PLAN

CPI maintains a 401(k) salary deferral and profit sharing plan. CPI may make matching contributions, non-elective discretionary contributions and required minimum contributions, subject to the top-heavy rules or other legal requirements. The plan covers all employees who have attained age 21, have completed one year of service and have worked over 1,000 hours. The plan includes a vesting schedule for employer contributions that provides for 50% vesting after one year of service and 100% after two years of service. CPI's contribution to the plan for the year ended December 31, 2018 and 2017 was \$26,000 and \$19,502, respectively.

NOTE 10. RELATED PARTIES

In 2017 and 2018 the Executive Clinical Director of Services at CPI was a Board member of Epilepsy Coalition of New York, Inc. (Coalition). CPI received grants in the amount of \$59,250 from the Coalition in both 2018 and 2017.

CPI advanced funds on behalf of the Coalition for its operating expenses. At December 31, 2018 and 2017, CPI was due \$1,045 and \$1,192 from the Coalition for these advances. CPI also has a contract receivable from the Coalition of \$15,189 at December 31, 2018 and 2017, respectively (see Note 4).

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Notes to Financial Statements

Years Ended December 31, 2018 and 2017

NOTE 10. RELATED PARTIES (continued)

The Coalition and CPI entered into a Facilities and Expense Agreement in which the Coalition agreed to pay CPI \$100 per month towards facilities and operating expenses.

NOTE 11. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK AND ECONOMIC DEPENDENCE

CPI receives a substantial part of its revenue from Medicaid and from the State of New York through programs sponsored by three government agencies: The Office for People with Developmental Disabilities (OPWDD), the New York State Department of Health (DOH) and Adult Career and Continuing Education Services – Vocational Rehabilitation (ACCES-VR). Changes in funding arrangements and methodologies of these three agencies could significantly impact CPI.

NOTE 12. INCOME TAXES

As a nonprofit organization under Section 501(c)(3), CPI is generally exempt from paying income taxes unless it receives unrelated business income which could be subject to income tax. Management believes that all revenue and support relates exclusively to CPI's tax exempt purpose and is not subject to federal or state income tax.

In 2015, the Organization became aware that it inadvertently erred in the funding of employees' HSA accounts in 2011. Specifically, the Organization had a funding deficit of approximately \$2,000 which it has since cured by issuing payments to the affected employees. The Internal Revenue Code requires the Organization to self-disclose the contribution failure, which was done with the filing of the 2015, *Form 990, Return of Organization Exempt From Income Tax*. The Internal Revenue Service can impose an excise tax equal to 35% of the total contributions made to the HSA accounts in 2011 plus penalties and interest. The maximum exposure is estimated to be \$9,000. The exposure expires June 20, 2019. Management believes the Organization acted with reasonable cause and good faith, and there was an honest misunderstanding of a complex law. Management believes that this fact, in addition to curing the problem will result in a full abatement of the excise tax; therefore, no accrual of this potential tax has been reflected in the financial statements.

CPI's tax returns are subject to examination by the applicable taxing authorities. As of December 31, 2018, CPI's federal tax returns generally remain open for examination for the last three years.

NOTE 13. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure through May 15, 2019 the date the financial statements were available to be issued. Based on such evaluation, there were no subsequent events that require adjustment to or further disclosure in the financial statements.