

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

Financial Statements

December 31, 2015 and 2014

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**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, 2015 and 2014, 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, 2015 and 2014, 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.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, effective January 1, 2014 Epilepsy Society of Southern New York, Inc., a related nonprofit organization, merged into Capabilities Partnership, Inc. All the assets and liabilities of Epilepsy Society of Southern New York, Inc. have been merged into Capabilities Partnership, Inc. and all intra-entity balances have been eliminated. After the merger Epilepsy Society of Southern New York, Inc. was dissolved.

*Romanzo & Company CPAs LLC*

Albany, New York  
April 27, 2016

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

**Statement of Financial Position**

**December 31, 2015 and 2014**

**ASSETS**

	<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 233,828	\$ 208,585
Restricted cash	47,538	62,885
Grants and contracts receivable	213,927	223,254
Contribution and other receivables	820	2,019
Due from related party	576	563
Prepaid expenses	<u>21,603</u>	<u>28,653</u>
Total Current Assets	518,292	525,959
 <b>NET PROPERTY AND EQUIPMENT</b>	 43,422	 58,600
 <b>SECURITY DEPOSITS</b>	 <u>39,790</u>	 <u>39,790</u>
	 <u>\$ 601,504</u>	 <u>\$ 624,349</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 27,950	\$ 46,001
Accrued expenses	73,870	53,064
Accrued pension expense	<u>20,000</u>	<u>14,000</u>
Total Current Liabilities	<u>121,820</u>	<u>113,065</u>
 <b>NET ASSETS:</b>		
Unrestricted	390,629	414,357
Temporarily restricted	<u>89,055</u>	<u>96,927</u>
Total Net Assets	<u>479,684</u>	<u>511,284</u>
 Total Liabilities and Net Assets	 <u>\$ 601,504</u>	 <u>\$ 624,349</u>

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

**Statement of Activities**

**Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Fees and grants from governmental and other agencies	\$ 1,865,090	\$ 53,667	\$ 1,918,757
Contributions and other support	4,823	--	4,823
Special Events	1,227	53,217	54,444
Interest income	95	--	95
Net assets released from restrictions	<u>114,756</u>	<u>(114,756)</u>	<u>--</u>
Total Revenue and Support	<u>1,985,991</u>	<u>(7,872)</u>	<u>1,978,119</u>
<b>EXPENSES:</b>			
Program Services:			
Traumatic Brain Injury	434,265	--	434,265
Epilepsy Support Services	319,686	--	319,686
ACCES-VR Vocational Program	261,110	--	261,110
Clinical Information, Referral and Counseling	255,546	--	255,546
Family Support Services	147,772	--	147,772
Supported Employment OPWDD Program	124,877	--	124,877
Medicaid Service Coordination	106,319	--	106,319
Education Grant - Epilepsy Coalition	52,720	--	52,720
McCarthy Socialization/Other	45,393	--	45,393
Individual Service Support	<u>12,682</u>	<u>--</u>	<u>12,682</u>
Total Program Services	<u>1,760,370</u>	<u>--</u>	<u>1,760,370</u>
Support Services:			
Management and general	216,456	--	216,456
Fundraising	<u>32,893</u>	<u>--</u>	<u>32,893</u>
Total Support Services	<u>249,349</u>	<u>--</u>	<u>249,349</u>
Total Expenses	<u>2,009,719</u>	<u>--</u>	<u>2,009,719</u>
<b>CHANGE IN NET ASSETS</b>	<b>(23,728)</b>	<b>(7,872)</b>	<b>(31,600)</b>
<b>NET ASSETS</b> , beginning of year	<u>414,357</u>	<u>96,927</u>	<u>511,284</u>
<b>NET ASSETS</b> , end of year	<u>\$ 390,629</u>	<u>\$ 89,055</u>	<u>\$ 479,684</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 Activities  
(continued)**

**Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Fees and grants from governmental and other agencies	\$ 1,686,985	\$ 52,591	\$ 1,739,576
Contribution of service	10,696	--	10,696
Contributions and other support	7,674	--	7,674
Special Events	3,596	49,563	53,159
Interest income	90	--	90
Net assets released from restrictions	<u>101,954</u>	<u>(101,954)</u>	<u>--</u>
Total Revenue and Support	<u>1,810,995</u>	<u>200</u>	<u>1,811,195</u>
<b>EXPENSES:</b>			
Program Services:			
Traumatic Brain Injury	392,014	--	392,014
Epilepsy Support Services	306,473	--	306,473
Clinical Information, Referral and Counseling	247,246	--	247,246
ACCES-VR Vocational Program	220,724	--	220,724
Family Support Services	141,394	--	141,394
Supported Employment OPWDD Program	108,427	--	108,427
Medicaid Service Coordination	79,330	--	79,330
Education Grant - Epilepsy Coalition	52,370	--	52,370
McCarthy Socialization/Other	39,848	--	39,848
Individual Service Support	<u>12,694</u>	<u>--</u>	<u>12,694</u>
Total Program Services	<u>1,600,520</u>	<u>--</u>	<u>1,600,520</u>
Support Services:			
Management and general	206,299	--	206,299
Fundraising	<u>16,227</u>	<u>--</u>	<u>16,227</u>
Total Support Services	<u>222,526</u>	<u>--</u>	<u>222,526</u>
Total Expenses	<u>1,823,046</u>	<u>--</u>	<u>1,823,046</u>
<b>CHANGE IN NET ASSETS</b>	(12,051)	200	(11,851)
<b>NET ASSETS, beginning of year</b>	<u>426,408</u>	<u>96,727</u>	<u>523,135</u>
<b>NET ASSETS, end of year</b>	<u>\$ 414,357</u>	<u>\$ 96,927</u>	<u>\$ 511,284</u>

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

**Statement of Functional Expenses**

**Program Services**

**Year Ended December 31, 2015**

	Traumatic Brain Injury	Epilepsy Support Services	ACCES-VR Vocational Program	Clinical Information, Referral & Counseling	Family Support Services	Supported Empl. OPWDD Program	Medicaid Service Coordination	Education Grant Epilepsy Coalition	McCarthy Socialization/ Other	Individual Service Support	Total Program Expenses
<b>Functional Expenses</b>											
<b>Compensation</b>											
Salary & wages	\$ 269,420	\$ 247,886	\$ 156,810	\$ 123,193	\$ 110,307	\$ 74,831	\$ 68,936	\$ 43,373	\$ 2,912	\$ --	\$ 1,097,668
Fringe benefits	66,925	65,126	48,027	32,207	20,399	22,873	14,038	6,668	842	462	277,567
Total compensation	336,345	313,012	204,837	155,400	130,706	97,704	82,974	50,041	3,754	462	1,375,235
<b>Other expenses</b>											
Rent and utilities	59,204	--	30,184	93,357	--	14,340	13,090	--	--	--	210,175
Travel	17,268	959	19,187	719	4,317	9,594	6,236	1,199	480	--	59,959
Telephone	3,658	2,354	1,865	2,510	1,082	886	809	387	--	--	13,551
Supplies and materials	5,863	--	423	--	--	203	512	514	722	--	8,237
Staff development	1,917	--	295	--	--	145	1,025	125	--	--	3,507
Insurance	3,495	1,955	1,782	2,041	898	847	773	--	--	--	11,791
Professional fees	--	--	--	--	--	--	--	--	--	--	--
Technology	1,573	1,406	802	--	--	381	348	--	--	--	4,510
Repairs and maintenance	--	--	--	1,519	--	--	--	--	--	--	1,519
Miscellaneous	562	--	219	--	--	56	--	34	--	--	871
Scholarships/consumer outings	--	--	--	--	--	--	--	--	39,641	--	39,641
Dues and subscriptions	468	--	247	--	--	117	214	122	--	--	1,168
Consumer support/reimbursement	--	--	--	--	10,769	--	--	--	--	12,220	22,989
Marketing and advertising	--	--	--	--	--	--	--	--	--	--	--
Depreciation	797	--	--	--	--	--	--	--	796	--	1,593
Equipment rental	1,531	--	780	--	--	371	338	--	--	--	3,020
Expensed equipment	1,557	--	406	--	--	193	--	--	--	--	2,156
Recruitment	27	--	83	--	--	40	--	298	--	--	448
Total other expenses	97,920	6,674	56,273	100,146	17,066	27,173	23,345	2,679	41,639	12,220	385,135
<b>Total expenses</b>	\$ 434,265	\$ 319,686	\$ 261,110	\$ 255,546	\$ 147,772	\$ 124,877	\$ 106,319	\$ 52,720	\$ 45,393	\$ 12,682	\$ 1,760,370

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, 2015**

	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Support Services</u>	<u>Total Program and Support Services 2015</u>
Functional expenses:				
Compensation				
Salaries and wages	\$ 90,608	\$ 3,506	\$ 94,114	\$ 1,191,782
Fringe benefits	<u>19,764</u>	<u>739</u>	<u>20,503</u>	<u>298,070</u>
Total compensation	<u>110,372</u>	<u>4,245</u>	<u>114,617</u>	<u>1,489,852</u>
Other expenses				
Rent and utilities	22,844	--	22,844	233,019
Travel	240	240	480	60,439
Telephone	2,330	--	2,330	15,881
Supplies and materials	4,967	--	4,967	13,204
Staff development	1,270	15	1,285	4,792
Insurance	2,709	--	2,709	14,500
Professional fees	26,555	--	26,555	26,555
Technology	15,448	--	15,448	19,958
Repairs and maintenance	7,386	--	7,386	8,905
Miscellaneous	2,990	--	2,990	3,861
Scholarships/consumer outings	--	--	--	39,641
Dues and subscriptions	200	--	200	1,368
Consumer support/reimbursement	--	--	--	22,989
Marketing and advertising	50	--	50	50
Depreciation	17,265	--	17,265	18,858
Event cost	--	28,393	28,393	28,393
Interest	90	--	90	90
Equipment rental	1,007	--	1,007	4,027
Expensed equipment	363	--	363	2,519
MTA tax	370	--	370	370
Recruitment	--	--	--	448
Total other expenses	<u>106,084</u>	<u>28,648</u>	<u>134,732</u>	<u>519,867</u>
Total expenses	<u>\$ 216,456</u>	<u>\$ 32,893</u>	<u>\$ 249,349</u>	<u>\$ 2,009,719</u>

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

**Statement of Functional Expenses**

**Program Services**

**Year Ended December 31, 2014**

	Traumatic Brain Injury	Epilepsy Support Services	Clinical Information, Referral & Counseling	ACCES-VR Vocational Program	Family Support Services	Supported Empl. OPWDD Program	Medicaid Service Coordination	Education Grant Epilepsy Coalition	McCarthy Socialization/ Other	Individual Service Support	Total Program Expenses
<b>Functional Expenses</b>											
<b>Compensation</b>											
Salary & wages	\$ 239,077	\$ 234,612	\$ 111,969	\$ 125,995	\$ 101,569	\$ 62,092	\$ 48,718	\$ 41,649	\$ 3,490	\$ --	\$ 969,171
Fringe benefits	60,495	62,686	30,297	40,177	21,930	19,727	9,882	8,402	773	462	254,731
Total compensation	299,572	297,298	142,266	166,172	123,399	81,819	58,600	50,051	4,263	462	1,223,902
<b>Other expenses</b>											
Rent and utilities	53,136	--	95,109	26,457	--	12,931	12,773	--	--	--	200,406
Travel	19,847	763	572	19,847	3,053	9,923	3,053	954	--	--	58,012
Telephone	3,566	2,599	4,179	1,776	1,194	868	857	443	--	--	15,482
Supplies and materials	3,983	--	330	409	--	185	370	511	873	--	6,661
Staff development	2,281	300	--	1,129	--	373	720	39	--	--	4,842
Insurance	3,125	1,958	2,097	1,556	900	760	751	--	--	--	11,147
Professional fees	1,325	1,300	621	698	563	344	270	231	19	--	5,371
Technology	1,044	1,215	498	520	350	254	251	--	--	--	4,132
Repairs and maintenance	--	--	1,574	20	--	10	--	--	--	--	1,604
Miscellaneous	376	--	--	226	--	26	10	10	--	--	648
Scholarships/consumer outings	--	--	--	--	--	--	--	--	33,798	--	33,798
Dues and subscriptions	403	--	--	245	--	119	119	100	--	--	986
Consumer support/reimbursement	--	--	--	--	11,572	--	--	--	--	12,232	23,804
Marketing and advertising	--	250	--	--	--	--	--	--	--	--	250
Depreciation	895	--	--	--	--	--	--	--	--	--	1,790
Equipment rental	1,084	790	--	540	363	264	261	--	895	--	3,302
Expensed equipment	1,283	--	--	862	--	421	1,283	--	--	--	3,849
Recruitment	94	--	--	267	--	130	12	31	--	--	534
Total other expenses	92,442	9,175	104,980	54,552	17,995	26,608	20,730	2,319	35,585	12,232	376,618
<b>Total expenses</b>	\$ 392,014	\$ 306,473	\$ 247,246	\$ 220,724	\$ 141,394	\$ 108,427	\$ 79,330	\$ 52,370	\$ 39,848	\$ 12,694	\$ 1,600,520

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, 2014**

	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Support Services</u>	<u>Total Program and Support Services 2014</u>
Functional expenses:				
Compensation				
Salaries and wages	\$ 84,476	\$ 2,546	\$ 87,022	\$ 1,056,193
Fringe benefits	<u>16,360</u>	<u>475</u>	<u>16,835</u>	<u>271,566</u>
Total compensation	<u>100,836</u>	<u>3,021</u>	<u>103,857</u>	<u>1,327,759</u>
Other expenses				
Rent and utilities	21,771	--	21,771	222,177
Travel	191	191	382	58,394
Telephone	1,720	--	1,720	17,202
Supplies and materials	6,492	--	6,492	13,153
Staff development	345	--	345	5,187
Insurance	2,548	--	2,548	13,695
Professional fees	27,270	14	27,284	32,655
Technology	13,892	--	13,892	18,024
Repairs and maintenance	8,770	--	8,770	10,374
Miscellaneous	1,936	117	2,053	2,701
Scholarships/consumer outings	--	--	--	33,798
Dues and subscriptions	200	--	200	1,186
Consumer support/reimbursement	--	--	--	23,804
Marketing and advertising	--	198	198	448
Depreciation	17,975	--	17,975	19,765
Event cost	--	12,686	12,686	12,686
Interest	90	--	90	90
Equipment rental	1,101	--	1,101	4,403
Expensed equipment	1,162	--	1,162	5,011
Recruitment	--	--	-	534
Total other expenses	<u>105,463</u>	<u>13,206</u>	<u>118,669</u>	<u>495,287</u>
Total expenses	<u>\$ 206,299</u>	<u>\$ 16,227</u>	<u>\$ 222,526</u>	<u>\$ 1,823,046</u>

# CAPABILITIES PARTNERSHIP, INC.

## Statement of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (31,600)	\$ (11,851)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,858	19,765
Changes in:		
Grants, contracts, and contribution receivable	10,526	(37,197)
Due from related parties	(13)	9
Prepaid expenses	7,050	(4,349)
Accounts payable and accrued expenses	<u>8,755</u>	<u>(40,038)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>13,576</u>	<u>(73,661)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Leasehold improvement	<u>(3,680)</u>	<u>--</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9,896	(73,661)
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<u>271,470</u>	<u>345,131</u>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<u>\$ 281,366</u>	<u>\$ 271,470</u>
<b>Supplemental disclosures of cash flows information:</b>		
Interest paid	<u>\$ 90</u>	<u>\$ 90</u>

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

**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

**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 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.

On January 1, 2014 CPI and Society merged which is more fully described at the end of Note 1.

***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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

***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, 2015 and 2014, 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, 2015 uninsured cash deposits were \$53,519. The Organization believes it is not exposed to any significant credit risk related to its cash and cash equivalents.

***Marketing and Advertising***

The Organization expenses marketing and advertising costs as they are incurred. Marketing and advertising costs were \$50 and \$448 for the years ended December 31, 2015 and 2014, respectively.

***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. 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 year ended December 31, 2015 and 2014 was \$18,858 and \$19,765, respectively.

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

**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

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

***Revenue Recognition***

Funding includes unrestricted and restricted resources available for the support of operations. While revenue received from government contracts are expendable for specified purposes, they are generally considered to be unrestricted revenue. 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 unrestricted, temporarily restricted, or permanently restricted net assets. There were no permanently restricted net assets at December 31, 2015 and 2014.

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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets 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 \$13,308 and \$13,455 for the years ended December 31, 2015 and 2014, 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 \$9,625 in 2014. Legal services were primarily for trademark issues, HIPAA and the merger of Society into CPI.

Contributed software, furniture and computers amounted to \$1,071 for the year ended December 31, 2014.

***Merger***

In 2012 the Board of Directors of CPI and Society voted to merge the two entities into one 501(c)(3) organization. The surviving agency is Capabilities Partnership, Inc. dba Epilepsy Society of Southern New York. Beginning January 1, 2014 the two entities were merged into one. The organizations merged to strengthen their brand recognition, eliminate duplicative overhead and achieve economies of scale, thus providing more financial resources for the direct benefit of the families and individuals served by the organizations. All of the assets, liabilities and net assets of both organizations were combined. All contracts between Society and its funding sources have been reassigned to CPI. CPI assumed the obligations under operating leases held by Society. The accounting policies of both organizations, which were consistent, have been retained. Society was dissolved after the merger.

The statement of cash flows for December 31, 2014 have been presented based upon CPI's balance sheet on the date of the merger.

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

**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

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

The following provides the major classes of assets, liabilities and net assets of CPI and Society that were merged on January 1, 2014:

<b>Major Classes of Assets, Liabilities and Net Assets</b>				
<b>January 1, 2014</b>				
	<u>Society</u>	<u>CPI</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 334,008	\$ 11,123	\$ -	\$ 345,131
Receivables	67,659	120,416	-	188,075
Due from related party	572	-	-	572
Due from affiliate	-	444,946	(444,946)	-
Prepaid expenses	<u>24,304</u>	<u>-</u>	<u>-</u>	<u>24,304</u>
Total Current Assets	426,543	576,485	(444,946)	558,082
Net Property & Equipment	78,366	-	-	78,366
Security Deposits	<u>39,790</u>	<u>-</u>	<u>-</u>	<u>39,790</u>
	<u>\$ 544,699</u>	<u>\$ 576,485</u>	<u>\$ (444,946)</u>	<u>\$ 676,238</u>
<b>Liabilities</b>				
Accounts payable	\$ 31,190	\$ -	\$ -	\$ 31,190
Accrued expenses	110,313	11,600	-	121,913
Due to affiliate	<u>444,946</u>	<u>-</u>	<u>(444,946)</u>	<u>-</u>
	586,449	11,600	(444,946)	153,103
<b>Net Assets</b>				
Unrestricted	(138,477)	564,885	-	426,408
Temporarily restricted	<u>96,727</u>	<u>-</u>	<u>-</u>	<u>96,727</u>
	<u>(41,750)</u>	<u>564,885</u>	<u>-</u>	<u>523,135</u>
	<u>\$ 544,699</u>	<u>\$ 576,485</u>	<u>\$ (444,946)</u>	<u>\$ 676,238</u>

**NOTE 2. PROGRAMS ADMINISTERED BY CPI**

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

**NOTE 3. RESTRICTED CASH**

A 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 temporarily restricted net assets. 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 unrestricted net assets.

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

**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

**NOTE 4. GRANTS AND CONTRACTS RECEIVABLE**

	<b>2015</b>	<b>2014</b>
Traumatic Brain Injury	\$ 60,800	\$ 79,714
ACCES-VR Vocational Program	54,075	44,095
Epilepsy Support Services	34,438	34,440
Family Support Services	18,878	15,825
Supported Employment OPWDD Program	16,470	17,834
Epilepsy Coalition	14,689	14,689
Medicaid Service Coordination	12,702	11,637
Individual Service Support	1,526	2,694
Westchester County	349	349
Orange County	--	1,977
	<u>\$ 213,927</u>	<u>\$ 223,254</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.

**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:

	<b>2015</b>	<b>2014</b>
Furniture and fixtures	\$ 109,169	\$ 109,169
Computer equipment	6,218	7,431
Telephone equipment	19,479	19,479
Leasehold improvements	<u>169,552</u>	<u>165,872</u>
	304,418	301,951
Less: accumulated depreciation	<u>(260,996)</u>	<u>(243,351)</u>
	<u>\$ 43,422</u>	<u>\$ 58,600</u>

**NOTE 6. LINE OF CREDIT**

CPI has a \$300,000 working capital revolving credit agreement with a bank. Interest is based on the lender's prime rate plus .5%. The line is collateralized by all assets of CPI. The credit facility terminated July 31, 2014 and was extended and modified on June 30, 2014. The extension modification agreement includes an extended draw period to expire July 31, 2016 and an extended term loan maturity date of July 1, 2021. Any outstanding balance at July 31, 2016 would be converted to an amortizing loan to be repaid over 5 years, maturing July 1, 2021. The line was fully available at December 31, 2015 and 2014.



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

**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<b>2015</b>	<b>2014</b>
Socialization - Chris McCarthy	\$ 35,390	\$ 44,336
Epilepsy Support Services	34,438	34,440
Family Support Services	18,878	15,825
Westchester County Contract	349	349
Orange County Contract	--	1,977
	<u>\$ 89,055</u>	<u>\$ 96,927</u>

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

	<b>2015</b>	<b>2014</b>
Socialization - Chris McCarthy	\$ 62,165	\$ 49,884
Epilepsy Support Services	34,440	28,701
Family Support Services	15,825	13,191
Orange County Contract	1,977	3,954
Westchester County Contract	349	349
Education Grant - Epilepsy Coalition	--	5,875
	<u>\$ 114,756</u>	<u>\$ 101,954</u>

**NOTE 8. COMMITMENTS**

CPI has entered into noncancellable operating lease agreements for the rental of office facilities at the following New York locations – West Nyack and Middletown. The lease agreements require CPI to pay base rent ranging from \$762 per month for Middletown to \$17,500 per month for West Nyack. Lease terms expire between October 2016 and December 2018.

Rent payments under these operating leases for the year ended December 31, 2015 and 2014 was \$219,146 and \$208,424, of which \$1,200 in each year was allocated to and reimbursed by Epilepsy Coalition of New York State, Inc. a related party (Note 10).

CPI has two noncancellable operating leases for copiers with remaining lease terms of 16 months.

Future minimum payments under these operating leases are as follows:

2016	\$ 221,426
2017	210,831
2018	<u>210,000</u>
	<u>\$ 642,257</u>

**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, 2015 and 2014 was \$20,000 and \$14,000. Concurrent with the merger of Society and CPI, the pension plan is in the name of CPI.

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**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

**NOTE 10. RELATED PARTIES**

The Executive Director of Clinical Services of CPI is a Board member of Epilepsy Coalition of New York, Inc. (Coalition). CPI received grants in the amount of \$58,750 from the Coalition in 2015 and 2014.

CPI advanced funds on behalf of the Coalition for its operating expenses. At December 31, 2015 and 2014, CPI was due \$576 and \$563 from the Coalition for these advances. CPI also has a contract receivable from the Coalition of \$14,689 at both December 31, 2015 and 2014 (see Note 4).

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. CONTINGENT OBLIGATION**

CPI is the guarantor under a lease for a consumer. The consumer's rent is subsidized by OPWDD contingent upon certain conditions. CPI pays rent as the guarantor, and the consumer and OPWDD reimburse CPI. The lease expired February 29, 2016 and has been renewed through February 28, 2017. Monthly lease payments through February 2017 are \$1,285.

CPI has funded the security deposit on behalf of the consumer in the amount of \$1,790 and it is included in security deposits on the statement of financial position.

**NOTE 12. 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 13. 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 it will 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 excise tax could be as high as \$9,000. 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, 2015, CPI's federal and state tax returns generally remain open for examination for the last three years.

**CAPABILITIES PARTNERSHIP, INC. DBA  
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**Notes to Financial Statements**

**Years Ended December 31, 2015 and 2014**

**NOTE 14. SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure through May 23, 2016, the date the financial statements were available to be issued. Based on such evaluation, there were no other subsequent events that require adjustment to or further disclosure in the financial statements.