

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

Financial Statements

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Romanzo & Company CPAs LLC

Albany, New York
April 26, 2017

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

Statement of Financial Position

December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 255,878	\$ 233,828
Restricted cash	51,164	47,538
Grants and contracts receivable	306,630	213,927
Contribution and other receivables	1,806	820
Due from related party	630	576
Prepaid expenses	<u>24,251</u>	<u>21,603</u>
Total Current Assets	640,359	518,292
NET PROPERTY AND EQUIPMENT	25,185	43,422
SECURITY DEPOSITS	<u>39,790</u>	<u>39,790</u>
	<u>\$ 705,334</u>	<u>\$ 601,504</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 46,098	\$ 27,950
Deferred income	89,135	--
Accrued expenses	87,860	73,870
Accrued pension expense	<u>14,000</u>	<u>20,000</u>
Total Current Liabilities	<u>237,093</u>	<u>121,820</u>
NET ASSETS:		
Unrestricted	373,469	390,629
Temporarily restricted	<u>94,772</u>	<u>89,055</u>
Total Net Assets	<u>468,241</u>	<u>479,684</u>
 Total Liabilities and Net Assets	 <u>\$ 705,334</u>	 <u>\$ 601,504</u>

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

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Fees and grants from governmental and other agencies	\$ 1,932,285	\$ 53,940	\$ 1,986,225
Contributions and other support	10,957	--	10,957
Special Events	--	52,414	52,414
Donated services	10,920	--	10,920
Interest income	269	--	269
Net assets released from restrictions	<u>100,637</u>	<u>(100,637)</u>	<u>--</u>
Total Revenue and Support	<u>2,055,068</u>	<u>5,717</u>	<u>2,060,785</u>
EXPENSES:			
Program Services:			
Traumatic Brain Injury	484,456	--	484,456
Epilepsy Support Services	322,597	--	322,597
ACCES-VR Vocational Program	266,325	--	266,325
Clinical Information, Referral and Counseling	259,406	--	259,406
Family Support Services	150,378	--	150,378
Supported Employment OPWDD Program	139,688	--	139,688
Medicaid Service Coordination	105,407	--	105,407
Education Grant - Epilepsy Coalition	53,196	--	53,196
McCarthy Socialization/Other	29,086	--	29,086
Individual Service Support	<u>12,682</u>	<u>--</u>	<u>12,682</u>
Total Program Services	<u>1,823,221</u>	<u>--</u>	<u>1,823,221</u>
Support Services:			
Management and general	224,718	--	224,718
Fundraising	<u>24,289</u>	<u>--</u>	<u>24,289</u>
Total Support Services	<u>249,007</u>	<u>--</u>	<u>249,007</u>
Total Expenses	<u>2,072,228</u>	<u>--</u>	<u>2,072,228</u>
CHANGE IN NET ASSETS	(17,160)	5,717	(11,443)
NET ASSETS, beginning of year	<u>390,629</u>	<u>89,055</u>	<u>479,684</u>
NET ASSETS, end of year	<u>\$ 373,469</u>	<u>\$ 94,772</u>	<u>\$ 468,241</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, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
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>
EXPENSES:			
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>
CHANGE IN NET ASSETS	(23,728)	(7,872)	(31,600)
NET ASSETS, beginning of year	<u>414,357</u>	<u>96,927</u>	<u>511,284</u>
NET ASSETS, end of year	<u>\$ 390,629</u>	<u>\$ 89,055</u>	<u>\$ 479,684</u>

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

Statement of Functional Expenses

Program Services

Year Ended December 31, 2016

	Traumatic Brain Injury	Epilepsy Support Services	ACCES-VR Vocational Program	Clinical Information, & Counseling	Referral Services	Family Support Services	Supported Empl. OPWDD Program	Medical Service Coordination	Education Grant Epilepsy Coalition	McCarthy Socialization/ Other	Individual Service Support	Total Program Expenses
Functional Expenses												
Compensation												
Salary & wages	\$ 305,176	\$ 250,895	\$ 155,368	\$ 128,099	\$ 113,274	\$ 85,406	\$ 68,688	\$ 44,284	\$ 1,947	\$ --	\$ --	\$ 1,153,137
Fringe benefits	80,792	65,534	47,401	32,064	20,266	23,899	13,462	6,913	401	462	462	291,194
Total compensation	385,968	316,429	202,769	160,163	133,540	109,305	82,150	51,197	2,348	462	462	1,444,331
Other expenses												
Rent and utilities	59,063	--	30,598	93,336	--	14,418	12,632	--	--	--	--	210,047
Travel	18,839	580	26,526	870	2,898	12,405	6,956	580	139	--	--	69,793
Telephone	3,850	3,540	1,994	2,555	1,075	940	823	388	--	--	--	15,165
Supplies and materials	6,103	--	458	11	--	226	304	682	770	--	--	8,554
Staff development	2,007	--	409	--	--	197	1,084	150	--	--	--	3,847
Insurance	3,491	1,898	1,808	1,851	872	852	747	--	--	--	--	11,519
Professional fees	--	--	--	--	--	--	--	--	--	--	--	--
Technology	1,049	150	543	--	--	256	224	--	--	--	--	2,222
Repairs and maintenance	--	--	--	620	--	--	--	--	--	--	--	620
Miscellaneous	116	--	126	--	--	12	--	10	--	--	--	264
Scholarships/consumer outings	--	--	--	--	--	--	--	--	--	25,169	--	25,169
Dues and subscriptions	1,305	--	299	--	--	701	186	100	--	--	--	2,591
Consumer support/reimbursement	--	--	--	--	11,993	--	--	--	--	--	12,220	24,213
Depreciation	660	--	--	--	--	--	--	--	660	--	--	1,320
Equipment rental	1,406	--	728	--	--	343	301	--	--	--	--	2,778
Expensed equipment	599	--	--	--	--	--	--	--	--	--	--	599
Recruitment	--	--	67	--	--	33	--	89	--	--	--	189
Total other expenses	98,488	6,168	63,556	99,243	16,838	30,363	23,257	1,999	26,738	--	12,220	378,890
Total expenses	<u>\$ 484,456</u>	<u>\$ 322,597</u>	<u>\$ 266,325</u>	<u>\$ 259,406</u>	<u>\$ 150,378</u>	<u>\$ 139,668</u>	<u>\$ 105,407</u>	<u>\$ 53,196</u>	<u>\$ 29,086</u>	<u>\$ 12,682</u>	<u>\$ 12,682</u>	<u>\$ 1,823,221</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, 2016

	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Support Services</u>	<u>Total Program and Support Services 2016</u>
Functional expenses:				
Compensation				
Salaries and wages	\$ 91,412	\$ 2,586	\$ 93,998	\$ 1,247,135
Fringe benefits	<u>18,005</u>	<u>504</u>	<u>18,509</u>	<u>309,703</u>
Total compensation	<u>109,417</u>	<u>3,090</u>	<u>112,507</u>	<u>1,556,838</u>
Other expenses				
Rent and utilities	22,830	--	22,830	232,877
Travel	290	58	348	70,141
Telephone	2,462	--	2,462	17,627
Supplies and materials	4,131	--	4,131	12,685
Staff development	1,351	--	1,351	5,198
Insurance	2,688	--	2,688	14,207
Professional fees	35,184	--	35,184	35,184
Technology	19,095	--	19,095	21,317
Repairs and maintenance	7,140	--	7,140	7,760
Miscellaneous	1,797	110	1,907	2,171
Scholarships/consumer outings	--	--	--	25,169
Dues and subscriptions	20	--	20	2,611
Consumer support/reimbursement	--	--	--	24,213
Depreciation	16,917	--	16,917	18,237
Event cost	--	21,031	21,031	21,031
Interest	90	--	90	90
Equipment rental	926	--	926	3,704
Expensed equipment	--	--	--	599
MTA tax	380	--	380	380
Recruitment	--	--	--	189
Total other expenses	<u>115,301</u>	<u>21,199</u>	<u>136,500</u>	<u>515,390</u>
Total expenses	<u>\$ 224,718</u>	<u>\$ 24,289</u>	<u>\$ 249,007</u>	<u>\$ 2,072,228</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	Medical Service Coordination	Education Grant Epilepsy Coalition	McCarthy Socialization/ Other	Individual Service Support	Total Program Expenses
Functional Expenses											
Compensation											
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
Other expenses											
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	3,656	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
Total expenses	\$ 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
(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, 2015

	Management and General	Fund Raising	Total Support Services	Total Program and Support Services 2015
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.

Statement of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,443)	\$ (31,600)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	18,237	18,858
Changes in:		
Grants, contracts, and contribution receivable	(93,689)	10,526
Due from related parties	(54)	(13)
Prepaid expenses	(2,648)	7,050
Accounts payable and accrued expenses	26,138	8,755
Deferred income	<u>89,135</u>	<u>--</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>25,676</u>	<u>13,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Leasehold improvement	<u>--</u>	<u>(3,680)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	25,676	9,896
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>281,366</u>	<u>271,470</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 307,042</u>	<u>\$ 281,366</u>
Supplemental disclosures of cash flow information:		
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, 2016 and 2015

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 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, 2016 and 2015, 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, 2016 uninsured cash deposits were \$60,401. 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, 2016 and 2015

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 year ended December 31, 2016 and 2015 was \$18,237 and \$18,858, respectively.

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, 2016 and 2015.

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 \$11,645 and \$13,308 for the years ended December 31, 2016 and 2015, 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 \$10,920 in 2016. Legal services were primarily for the review of the Organization's Employee Handbook for compliance with labor laws.

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

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

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

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.

NOTE 4. GRANTS AND CONTRACTS RECEIVABLE

	2016	2015
Traumatic Brain Injury	\$ 102,075	\$ 60,800
ACCES-VR Vocational Program	71,558	54,075
Epilepsy Support Services	35,652	34,438
Supported Employment OPWDD Program	35,367	16,470
Medicaid Service Coordination	23,793	12,702
Family Support Services	17,927	18,878
Epilepsy Coalition	15,189	14,689
Rockland County	3,182	--
Individual Service Support	1,526	1,526
Westchester County	361	349
	<u>\$ 306,630</u>	<u>\$ 213,927</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:

	2016	2015
Furniture and fixtures	\$ 109,169	\$ 109,169
Computer equipment	6,218	6,218
Telephone equipment	19,479	19,479
Leasehold improvements	<u>169,552</u>	<u>169,552</u>
	304,418	304,418
Less: accumulated depreciation	<u>(279,233)</u>	<u>(260,996)</u>
	<u>\$ 25,185</u>	<u>\$ 43,422</u>

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

Years Ended December 31, 2016 and 2015

NOTE 6. LINE OF CREDIT

CPI has a \$150,000 working capital revolving credit agreement with a bank. Interest rate floor is 4% and the interest rate was 4.25% at December 31, 2016. 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, 2018 and an extended term loan maturity date of August 1, 2023. The line was fully available at December 31, 2016.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Socialization - Chris McCarthy	\$ 40,832	\$ 35,390
Epilepsy Support Services	35,652	34,438
Family Support Services	17,927	18,878
Westchester County Contract	361	349
	<u>\$ 94,772</u>	<u>\$ 89,055</u>

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

	2016	2015
Socialization - Chris McCarthy	\$ 46,972	\$ 62,165
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>\$ 100,637</u>	<u>\$ 114,756</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 2017 and December 2018.

Rent payments under these operating leases for the year ended December 31, 2016 and 2015 was \$219,149 each year 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 equipment operating leases with remaining lease terms up to 59 months.

Future minimum payments under these operating leases are as follows:

2017	\$	222,254
2018		214,432
2019		4,392
2020		4,392
2021		4,026
		<u>\$ 449,496</u>

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Notes to Financial Statements

Years Ended December 31, 2016 and 2015

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, 2016 and 2015 was \$14,000 and \$20,000, respectively.

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 \$59,250 and \$58,750 from the Coalition in 2016 and 2015, respectively.

CPI advanced funds on behalf of the Coalition for its operating expenses. At December 31, 2016 and 2015, CPI was due \$630 and \$576 from the Coalition for these advances. CPI also has a contract receivable from the Coalition of \$15,189 and \$14,689 at December 31, 2016 and 2015, respectively (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 28, 2017 and has been renewed through February 28, 2018. Monthly lease payments through February 2018 are \$1,310.

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.

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EPILEPSY SOCIETY OF SOUTHERN NEW YORK**

Notes to Financial Statements

Years Ended December 31, 2016 and 2015

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 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. 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, 2016, CPI's federal tax returns generally remain open for examination for the last three years.

NOTE 14. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure through May 2, 2017, 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, except as described in note 11.