

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**REPORT ON AUDIT
JULY 31, 2016**



Kircaldie, Randall & McNab LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lea's Foundation for Leukemia Research, Inc.

We have audited the accompanying financial statements of Lea's Foundation for Leukemia Research, Inc. (a nonprofit organization), which comprise the statements of financial position as of July 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Lea's Foundation for Leukemia Research, Inc. as of July 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kircaldie, Randall & McNab LLC

Wethersfield, Connecticut
January 5, 2017

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**STATEMENTS OF FINANCIAL POSITION
JULY 31,**

ASSETS	2016	2015
	<u> </u>	<u> </u>
Current Assets:		
Cash and cash equivalents	\$ 498,966	\$ 1,229,673
Pledges receivable	3,350	7,600
Investments	705,356	2,375
Accrued Investment income	1,509	0
Prepaid expense	667	633
Total Current Assets	<u>1,209,848</u>	<u>1,240,281</u>
Fixed Assets:		
Furniture and fixtures	1,502	1,502
Less: Accumulated depreciation	<u>1,502</u>	<u>1,502</u>
Net Fixed Assets	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$ 1,209,848</u></u>	<u><u>\$ 1,240,281</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Grant payable, net	<u>\$ 92,879</u>	<u>\$ 185,000</u>
Total Current Liabilities	<u>92,879</u>	<u>185,000</u>
Non-Current Liabilities:		
Grant payable, net	<u>567,913</u>	<u>0</u>
Total Non-Current Liabilities	<u>567,913</u>	<u>0</u>
Net. Unrestricted:		
Undesignated	487,634	967,943
Board designated	52,788	52,711
Temporarily Restricted	<u>8,634</u>	<u>34,627</u>
Total Net Assets	<u>549,056</u>	<u>1,055,281</u>
Total Liabilities and Net Assets	<u><u>\$ 1,209,848</u></u>	<u><u>\$ 1,240,281</u></u>

The accompanying notes are an integral part of these financial statements.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2015)

	2016				Comparative Totals for 2015
	Unrestricted			Total	
	Undesignated	Board Designated	Temporarily Restricted		
Support and Revenue:					
Support:					
Special event revenue, ongoing	\$ 358,093	\$ 0	\$ 0	\$ 358,093	\$ 388,084
Less: Costs of direct benefits to donors	106,327	0	0	106,327	118,384
Net special event revenue, ongoing	251,766	0	0	251,766	269,700
Contributions	30,056	0	10,000	40,056	48,635
Donated goods and services	39,481	0	0	39,481	40,250
Special event revenue, incidental	3,650	0	0	3,650	0
Total Support	324,953	0	10,000	334,953	358,585
Revenue:					
Interest and dividend income	17,363	77	0	17,440	3,565
Net appreciation on investments	27,855	0	0	27,855	0
Total Investment Income	45,218	77	0	45,295	3,565
Total Support and Revenue	370,171	77	10,000	380,248	362,150
Expenses:					
Program Services:					
Research	780,752	0	0	780,752	44,606
Patient services	24,308	0	35,993	60,301	25,506
Community service	7,292	0	0	7,292	7,512
Public education	3,647	0	0	3,647	3,758
Total Program Services	815,999	0	35,993	851,992	81,382
Management and General	34,481	0	0	34,481	35,250
Total Expenses	850,480	0	35,993	886,473	116,632
Change in net assets	(480,309)	77	(25,993)	(506,225)	245,518
Net assets beginning of year	967,943	52,711	34,627	1,055,281	809,763
Net assets end of year	\$ 487,634	\$ 52,788	\$ 8,634	\$ 549,056	\$ 1,055,281

The accompanying notes are an integral part of these financial statements.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JULY 31, 2016
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2015)

PROGRAM SERVICES

	Research	Patient Services	Community Service	Public Education	Total Program Services	Management and General	2016 Total	2015 Total
Research grants	\$ 762,520	\$ 0	\$ 0	\$ 0	\$ 762,520	\$ 0	\$ 762,520	\$ 25,823
Professional fees	2,500	1,000	1,000	500	5,000	34,481	39,481	40,250
Patient expense	0	38,497	0	0	38,497	0	38,497	17,994
Life Assistance	0	14,512	0	0	14,512	0	14,512	0
Office expense	6,247	2,499	2,499	1,249	12,494	0	12,494	17,429
Bank charges	6,140	2,456	2,456	1,228	12,280	0	12,280	4,690
Meeting	1,274	509	509	255	2,547	0	2,547	776
Telephone	725	290	290	145	1,450	0	1,450	3,756
Insurance	650	260	260	130	1,300	0	1,300	828
Miscellaneous expense	288	115	115	58	576	0	576	3,691
Postage	270	108	108	54	540	0	540	247
Filing fees	138	55	55	28	276	0	276	326
Auto and travel	0	0	0	0	0	0	0	822
Total Expenses	\$ 780,752	\$ 60,301	\$ 7,292	\$ 3,647	\$ 851,992	\$ 34,481	\$ 886,473	\$ 116,632

The accompanying notes are an integral part of these financial statements.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31,**

	2016	2015
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ (506,225)	\$ 245,518
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) Decrease In:		
Pledges receivable	4,250	(7,600)
Prepaid expenses	(34)	195
Increase (Decrease) In:		
Discount on grants payable	(101,708)	5,823
Grants payable	577,500	(185,000)
Net Cash Provided (Used) By Operating Activities	(26,217)	58,936
Cash Flows From Investing Activities:		
Purchases of investments	(689,591)	(1,108)
Proceeds from investments	14,465	256,167
Net (appreciation) depreciation of investments	(27,855)	0
Accrued investment income	(1,509)	0
Net Cash Provided (Used) By Investing Activities	(704,490)	255,059
Net Increase (Decrease) in Cash	(730,707)	313,995
Cash and cash equivalents, August 1	1,229,673	915,678
Cash and cash equivalents, July 31	\$ 498,966	\$ 1,229,673

The accompanying notes are an integral part of these financial statements.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016**

Note 1 – Summary of Significant Accounting Policies:

Nature of Activities:

Lea's Foundation for Leukemia Research, Inc. (hereinafter the "Organization"), was established to promote and help fund activities associated with the education, research and treatment of leukemia and its related cancers (including lymphoma, myeloma and Hodgkin's Lymphoma disease) in an effort to find a cure for the diseases; the Organization also assists with patient and community services, as well as promoting public awareness of these issues.

Basis of Accounting:

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

Cash and Cash Equivalents:

The Organization considers all cash and cash equivalents with a maturity of three months or less as cash equivalents.

Fixed Assets:

Purchased furniture and equipment is capitalized at cost. Donations of furniture and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives.

Income Tax Status:

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization is required to file Federal Form 990, an information tax return for Non-Profit Organizations.

Use of Estimates:

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

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

Note 1 – Summary of Significant Accounting Policies (cont.):

Functional Allocation of Expenses:

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

Comparative Information:

The financial statements include certain prior-year summarized comparative information in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States.

Investments and Investment Income:

Investments in marketable securities are reported at their fair values when acquired; donated securities are recorded at their fair values on the dates of the gifts. Realized and unrealized appreciation or depreciation of investments is included in the accompanying statement of activities. Partnership interests that are not publicly traded are valued on their most recently reported capital account balance.

Contributions:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Grants Payable:

The foundation records appropriations for research grants as an expense and liability after approval by the Board of Directors.

Donated Goods and Services:

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization. No amounts have been recognized in the accompanying statement of activities since the services neither required specialized skills nor would they typically have been purchased had they not been donated.

At July 31, 2016 and 2015, donated services provided for the Organization consist of management services which are valued at \$29,481 and \$40,250, respectively.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016**

Note 1 – Summary of Significant Accounting Policies (cont.):

Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 5, 2017, the date which the financial statements were available to be issued.

Note 2 - Investments:

ASC Topic 820 “Fair Value Measurements and Disclosures” established a three-level valuation hierarchy of fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments that are redeemable at or near year-end and for which a model was derived for valuation.

Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where (i) there is little, if any, market activity for the asset or liability, (ii) the underlying investments of which cannot be independently valued, or (iii) they cannot be immediately redeemed at or near year-end.

At each year-end, investments consisted of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Level 1 Investments:				
Fixed income	\$ 124,794	\$ 126,830	\$ 0	\$ 0
Equities	255,323	281,065	0	0
EFTs	290,846	295,880	0	0
	670,963	703,775	0	0
Level 3 Investments:				
Partnership Interest	1,581	1,581	2,375	2,375
Total	\$ 672,544	\$ 705,356	\$ 2,375	\$ 2,375

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016

Note 3 - Unrestricted - Board Designated Net Assets:

The following is an allocation of the unrestricted–board designated net assets for the years ended July 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Endowment Fund	\$ 51,288	\$ 51,211
Research Fund	<u>1,500</u>	<u>1,500</u>
	<u>\$ 52,788</u>	<u>\$ 52,711</u>

Note 4 – Temporarily Restricted Net Assets:

Temporarily restricted net assets carry restrictions that expire upon the passing of a prescribed period or upon the occurrence of a stated event as specified by the donor. Donor restricted contributions that are received and expended in the same year are classified as unrestricted.

The balance of temporarily restricted net assets was \$8,634 and \$34,627 at July 31, 2016 and 2015 respectively.

Note 5 - Fair Value of Financial Instruments:

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, and grants payable. The organization estimates that the fair value of all financial instruments at July 31, 2016 and 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Note 6 - Special Events:

The Organization held four different annual events during the last fiscal year: the Valentine's Day Ball, Lea's Golf Tournament, Madeline G Golf Tournament, and the Hartford Marathon. At July, 31, 2016 and 2015 the events grossed \$358,093 and \$388,084, respectively in support and had expenses of \$106,327 and \$118,388, respectively.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2016**

Note 7 - Off-Balance Sheet Risk:

At July 31, 2016 and 2015, the Organization had \$197,812 and \$729,723 respectively, in cash accounts in excess of F.D.I.C. insured limits.

Note 8 - Concentrations:

The Organization derives significant revenue from public support of individuals and local corporate sponsors as well as grants from nonprofit organization benefactors. Lack of such support would have a material effect on the financial statements and would impact the Organization's ability to continue as a going concern.

Note 9- Grants Payable:

At each year-end, grants payable are due to be paid as follows:

	July 31,	
	2016	2015
2016	\$ 0	\$ 185,000
2017	95,312	0
2018	95,312	0
2019	95,312	0
2020	95,312	0
2021	95,312	0
2022	95,312	0
2023	95,312	0
2024	95,316	0
	762,500	185,000
Less discount to present value, at a rate of 3.5% for 2016	(101,708)	0
	\$ 660,792	\$ 185,000