

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**REPORT ON AUDIT
JULY 31, 2018**



Kircaldie, Randall & McNab LLC

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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, 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 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, 2018 and 2017, 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.

Wethersfield, Connecticut
September 25, 2018

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

STATEMENTS OF FINANCIAL POSITION
JULY 31,

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 682,541	\$ 592,892
Pledges receivable	8,250	8,200
Investments	853,288	740,191
Accrued Investment income	2,127	2,040
Total Current Assets	<u>1,546,206</u>	<u>1,343,323</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>\$ 1,546,206</u>	<u>\$ 1,343,323</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 434	\$ 0
Grant payable, net	<u>108,870</u>	<u>92,879</u>
Total Current Liabilities	<u>109,304</u>	<u>92,879</u>
Non-Current Liabilities:		
Grant payable, net	<u>419,351</u>	<u>494,908</u>
Total Non-Current Liabilities	<u>419,351</u>	<u>494,908</u>
Net Assets		
Without donor restrictions	958,793	693,479
With donor restrictions	<u>58,758</u>	<u>62,057</u>
Total Net Assets	<u>1,017,551</u>	<u>755,536</u>
Total Liabilities and Net Assets	<u>\$ 1,546,206</u>	<u>\$ 1,343,323</u>

See accompanying notes.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2017)

	2018			Comparative Totals for 2017
	Without donor restrictions	With donor restrictions	Total	
Support and Revenue:				
Support:				
Special event revenue, ongoing	\$ 559,685	\$ 66,400	\$ 626,085	\$ 758,162
Less: Costs of direct benefits to donors	204,886	24,641	229,527	253,435
Net special event revenue, ongoing	354,799	41,759	396,558	504,727
Contributions	30,576	0	30,576	46,151
Donated goods and services	17,602	0	17,602	25,000
Special event revenue, incidental	0	0	0	14,268
Total Support	402,977	41,759	444,736	590,146
Revenue:				
Interest and dividend income	20,927	0	20,927	20,999
Net appreciation on investments	61,759	0	61,759	29,422
Total Investment Income	82,686	0	82,686	50,421
Total Support and Revenue	485,663	41,759	527,422	640,567
Expenses:				
Program Services:				
Research	137,991	0	137,991	298,736
Patient services	49,053	45,058	94,111	98,206
Community service	5,293	0	5,293	8,096
Public education	2,648	0	2,648	4,049
Total Program Services	194,985	45,058	240,043	409,087
Management and General	25,364	0	25,364	25,000
Total Expenses	220,349	45,058	265,407	434,087
Change in net assets	265,314	(3,299)	262,015	206,480
Net assets beginning of year	693,479	62,057	755,536	549,056
Net assets end of year	\$ 958,793	\$ 58,758	\$ 1,017,551	\$ 755,536

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2017)

	PROGRAM SERVICES							
	Research	Patient Services	Community Service	Public Education	Total Program Services	Management and General	2018 Total	2017 Total
Research grants	\$ 124,756	\$ 0	\$ 0	\$ 0	\$ 124,756	\$ 0	\$ 124,756	\$ 278,490
Patient expense	0	88,817	0	0	88,817	0	88,817	90,109
Administrative salaries	0	0	0	0	0	17,602	17,602	25,000
Office expense	5,189	2,076	2,076	1,038	10,379	0	10,379	13,607
Investment advisory fees	0	0	0	0	0	7,762	7,762	7,161
Audit fee	2,500	1,000	1,000	500	5,000	0	5,000	5,000
Meeting	1,978	791	791	396	3,956	0	3,956	1,621
Credit card charges	1,853	742	742	371	3,708	0	3,708	8,310
Insurance	661	264	264	133	1,322	0	1,322	2,027
Bank charges	393	157	157	78	785	0	785	1,169
Telephone and internet	386	154	154	77	771	0	771	741
Filing fees	175	70	70	35	350	0	350	230
Miscellaneous expense	66	27	26	13	132	0	132	325
Postage	34	13	13	7	67	0	67	297
Total Expenses	<u>\$ 137,991</u>	<u>\$ 94,111</u>	<u>\$ 5,293</u>	<u>\$ 2,648</u>	<u>\$ 240,043</u>	<u>\$ 25,364</u>	<u>\$ 265,407</u>	<u>\$ 434,087</u>

See accompanying notes.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

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

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 262,015	\$ 206,480
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) Decrease In:		
Pledges receivable	(50)	(4,850)
Prepaid expenses	0	667
Increase (Decrease) In:		
Accounts payable	434	0
Discount on grants payable	19,756	22,307
Grants payable	<u>(79,322)</u>	<u>(95,312)</u>
Net Cash Provided (Used) By Operating Activities	<u>202,833</u>	<u>129,292</u>
Cash Flows From Investing Activities:		
Purchases of investments	(282,605)	(244,995)
Proceeds from sale of investments	231,267	239,582
Net (appreciation) depreciation of investments	(61,759)	(29,422)
Accrued investment income	<u>(87)</u>	<u>(531)</u>
Net Cash Provided (Used) By Investing Activities	<u>(113,184)</u>	<u>(35,366)</u>
Net Increase in Cash	89,649	93,926
Cash and cash equivalents, August 1	<u>592,892</u>	<u>498,966</u>
Cash and cash equivalents, July 31	<u><u>\$ 682,541</u></u>	<u><u>\$ 592,892</u></u>

See accompanying notes.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018

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.

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.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018

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

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 for unpaid volunteers. Services are recognized for services contributed by Becon, Inc. for paid employees.

At July 31, 2018 and 2017, donated services provided for the Organization consist of administrative services which are valued at \$17,602 and \$25,000, respectively.

Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through September 25, 2018, the date which the financial statements were available to be issued.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018**

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:

	<u>Fair Value Measurements at the End of the Reporting Date Using:</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>July 31, 2018</u>				
Equity Securities	\$ 431,514	\$ 431,514	\$ 0	\$ 0
Fixed Income Securities	248,382	248,382	0	0
Exchange Traded Funds	76,767	76,767	0	0
Certificate of deposit	50,446	0	50,446	0
Other Assets	24,816	24,816	0	0
Equity Funds	21,241	21,241	0	0
Partnership Interests	122	0	0	122
Total	\$ 853,288	\$ 802,720	\$ 50,446	\$ 122

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018**

Note 2 – Investments (cont.):

	Fair Value Measurements at the End of the Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>July 31, 2017</u>				
Equity Securities	\$ 333,419	\$ 333,419	\$ 0	\$ 0
Fixed Income Securities	251,604	251,604	0	0
Exchange Traded Funds	122,917	122,917	0	0
Equity Funds	20,445	20,445	0	0
Other Assets	10,561	10,561	0	0
Partnership Interests	1,245	0	0	1,245
Total	\$ 740,191	\$738,946	\$ 0	\$ 1,245

Note 3 – Net Assets Without Donor Restrictions:

Net assets without donor restrictions consists of net assets with no restrictions and net assets that were restricted by the Board of Directors for specific programs. None of these assets are legally restricted by donors. The following is a breakdown as of July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets with no restrictions	\$859,060	\$622,075
Board restricted for endowment	50,000	50,000
Board restricted assets for patient services	<u>49,733</u>	<u>21,404</u>
	<u>\$958,793</u>	<u>\$693,479</u>

Note 4 – Net Assets With Donor Restrictions:

Net assets that carry donor restrictions consist of assets are restricted for a specific purpose. The following is a breakdown of the donor restricted net assets as of July 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Restricted for pediatric patient services	\$37,782	\$13,100
Restricted for patient services	<u>20,976</u>	<u>48,957</u>
	<u>\$58,758</u>	<u>\$62,057</u>

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018**

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, 2018 and 2017 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 five different ongoing events for the year ended July 31, 2018; the Valentine's Day Ball, Lea's Golf Tournament, Madeline Guarraia Golf Classic, The Celebration of Life, and the Fall Gala and a Volleyball Tournament. For the years ended July 31, 2018 and 2017 the events grossed \$626,085 and \$758,162, respectively in support and had expenses of \$229,527 and \$253,435, respectively.

Note 7 - Off-Balance Sheet Risk:

At July 31, 2018 and 2017, the Organization had \$386,137 and \$260,038 respectively, in cash accounts in excess of F.D.I.C. insured limits.

Note 8 - Early adoption of ASU 2016-14:

The financial accounting standard board issued Accounting Standards Update 2016-14, which changed the way non-profits are to present their statement of financial position for net assets for periods beginning on or after December 15, 2017. This update is not mandated for implementation for Lea's Foundation until the year ended July 31, 2019, but early implementation is allowable and the organization has chosen to implement the new standard for the year ended July 31, 2018. Net Assets are no longer categorized between three categories of assets as either unrestricted, temporarily restricted or permanently restricted, but are now categorized under the new standard between two categories known as assets with donor restrictions and assets without donor restrictions.

LEA'S FOUNDATION FOR LEUKEMIA RESEARCH, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2018**

Note 9- Grants Payable:

For the year ended July 31, 2016, the Organization pledged a grant of \$762,500 to the Saint Francis Foundation to be paid in semi-annual installments of \$47,656 to be paid by the end of January and July with the first payment being made by January 31, 2017 and the final payment being paid by no later than July 31, 2024. At each year-end, grants payable for cancer research due is as follows:

	<u>2018</u>	<u>2017</u>
For the year ended July 31, 2018	\$ 0	\$ 95,312
For the year ended July 31, 2019	95,312	95,312
For the year ended July 31, 2020	95,312	95,312
For the year ended July 31, 2021	95,312	95,312
For the year ended July 31, 2022	95,312	95,312
For the year ended July 31, 2023	95,312	95,312
For the year ended July 31, 2024	<u>95,315</u>	<u>95,316</u>
	571,875	667,188
Less, discount to present value, 3.5%	<u>(59,645)</u>	<u>(79,401)</u>
	<u>\$512,230</u>	<u>\$ 587,787</u>

In addition the Organization also provides grants for its patient services programs in the Greater Hartford and New Haven areas to eligible patients. Patients and their families are provided medical and non-medical assistance funding for a period of one year to use the allocated funds. After the period of one year since the grant was made, any unused funds expire and go back in the patient services fund. As of July 31 2018, grants payable for patient services amounts to \$15,991.