

Leukemia Research Foundation

Financial Statements

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Leukemia Research Foundation
Northfield, Illinois

We have audited the accompanying financial statements of Leukemia Research Foundation, a nonprofit organization, which comprise the statement of financial position as of June 30, 2019 and 2018, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Leukemia Research Foundation as of June 30, 2019 and 2018, 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.

INDEPENDENT AUDITOR'S REPORT - Continued

Emphasis of Matter

Leukemia Research Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as discussed in Note 1. Our opinion is not modified with respect to this matter.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
September 11, 2019

**LEUKEMIA RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,036,471	\$ 2,997,134
Annuities receivable - Notes 3 and 12	133,424	130,458
Contributions receivable - Note 4	103,790	227,369
Prepaid expenses	<u>18,833</u>	<u>15,423</u>
 Total Current Assets	 <u>3,292,518</u>	 <u>3,370,384</u>
Other Assets		
Certificate of deposit, unrestricted portion	3,364	
Certificates of deposit, restricted - Note 7	83,945	80,000
Security deposit	4,663	4,663
Annuities receivable - Notes 3 and 12	80,075	213,499
Property and equipment, net - Note 5	4,630	3,338
Beneficial interest in trust - Notes 6 and 11	<u>409,443</u>	<u>416,695</u>
 Total Other Assets	 <u>586,120</u>	 <u>718,195</u>
 Total Assets	 <u>\$ 3,878,638</u>	 <u>\$ 4,088,579</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 49,327	\$ 49,126
Grants payable - Note 10	<u>1,199,080</u>	<u>1,417,466</u>
 Total Liabilities	 <u>1,248,407</u>	 <u>1,466,592</u>
Net Assets		
Without donor restrictions	1,913,324	1,609,770
With donor restrictions - Notes 6,7, and 11	<u>716,907</u>	<u>1,012,217</u>
 Total Net Assets	 <u>2,630,231</u>	 <u>2,621,987</u>
 Total Liabilities and Net Assets	 <u>\$ 3,878,638</u>	 <u>\$ 4,088,579</u>

The accompanying notes are an integral part of this statement.

LEUKEMIA RESEARCH FOUNDATION
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Chapter remittances - Note 14	\$ 766,621	\$ -	\$ 766,621	\$ 956,588	\$ -	\$ 956,588
Federal and state campaigns	22,565		22,565	34,369		34,369
Contributions	775,727	10,020	785,747	908,943	96,564	1,005,507
Corporation and foundation contributions	530,854		530,854	369,650	75,000	444,650
Indirect fundraising	269,194		269,194	113,860		113,860
Grants returned - Note 10	3,460		3,460			
Miscellaneous	237		237			
Investment income	4,012	3,945	7,957	30		30
Total Revenues and Gains	2,372,670	13,965	2,386,635	2,383,440	171,564	2,555,004
Net assets released from restrictions - Note 6	302,023	(302,023)		505,057	(505,057)	
Total Revenues, Gains and Other Support	2,674,693	(288,058)	2,386,635	2,888,497	(333,493)	2,555,004
Expenses						
Program services						
Patient outreach and education	392,192		392,192	195,656		195,656
Patient financial assistance	169,710		169,710	261,424		261,424
Medical research	1,277,593		1,277,593	1,552,051		1,552,051
Total Program Services	1,839,495		1,839,495	2,009,131		2,009,131
Supporting services						
Management and general	258,672		258,672	245,740		245,740
Fundraising	272,972		272,972	235,956		235,956
Total Supporting Services	531,644		531,644	481,696		481,696
Total Expenses	2,371,139		2,371,139	2,490,827		2,490,827
Other Change						
Change in value of beneficial interest in trust - Note 11		(7,252)	(7,252)		2,523	2,523
Change in Net Assets	303,554	(295,310)	8,244	397,670	(330,970)	66,700
Net Assets						
Beginning of the year	1,609,770	1,012,217	2,621,987	1,212,100	1,343,187	2,555,287
End of year	\$ 1,913,324	\$ 716,907	\$ 2,630,231	\$ 1,609,770	\$ 1,012,217	\$ 2,621,987

The accompanying notes are an integral part of this statement.

LEUKEMIA RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services				
	Patient Outreach and Education	Patient Financial Assistance	Medical Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Advertisintg	\$ -	\$ -	\$ -	\$ -	\$ 162	\$ -	\$ 162	\$ 162
Affiliate board						8,768	8,768	8,768
Bad debt recovery					(3,000)		(3,000)	(3,000)
Bank and credit card fees					9,740		9,740	9,740
Chapter expenses, unallocated						8,020	8,020	8,020
Children's party	11,289			11,289				11,289
Computer expense	7,851	2,309	2,078	12,238	5,311	5,542	10,853	23,091
Consulting	18,450	5,427	4,884	28,761	12,481	13,024	25,505	54,266
Depreciation - Note 5	568	167	150	885	386	401	787	1,672
Direct mail	6,278			6,278		9,416	9,416	15,694
Dues and subscriptions	353	104	93	550	239	249	488	1,038
Federal/state campaigns						15,897	15,897	15,897
Financial assistance		88,279		88,279				88,279
Forums	1,365			1,365				1,365
Grant expense			4,117	4,117				4,117
Grants, research - Note 10			1,199,080	1,199,080				1,199,080
Group insurance and employee benefits	29,945	7,983	7,348	45,276	22,578	24,114	46,692	91,968
Insurance	2,383	567	511	3,461	1,078	1,135	2,213	5,674
Medical awards dinner	15,493			15,493				15,493
Meetings	642	189	170	1,001	434	453	887	1,888
Miscellaneous	807	237	214	1,258	546	570	1,116	2,374
Office supplies	1,928	567	510	3,005	1,304	1,361	2,665	5,670
Payroll taxes	13,490	3,596	3,310	20,396	10,171	10,863	21,034	41,430
Postage	999	294	264	1,557	676	705	1,381	2,938
Printing and stationery	341	100	90	531	231	241	472	1,003
Professional fees					38,315		38,315	38,315
Public relations	9,651			9,651	1,816		1,816	11,467
Rent and utilities - Note 9	23,733	5,651	5,086	34,470	10,736	11,302	22,038	56,508
Repairs	1,688	402	362	2,452	763	804	1,567	4,019
Salaries	189,183	50,433	46,424	286,040	142,643	152,346	294,989	581,029
Telephone	3,049	897	807	4,753	2,062	2,152	4,214	8,967
Town Hall meeting	15,000			15,000				15,000
Treatment options	28,610			28,610				28,610
Website maintenance	9,096	2,508	2,095	13,699		5,609	5,609	19,308
Total Functional Expenses	\$ 392,192	\$ 169,710	\$ 1,277,593	\$ 1,839,495	\$ 258,672	\$ 272,972	\$ 531,644	\$ 2,371,139

The accompanying notes are an integral part of this statement.

LEUKEMIA RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bad debt expense		\$ 17,750		\$ 17,750
Bank and credit card fees	2,859	1,716	6,863	11,438
Chapter expenses, unallocated			7,781	7,781
Children's party	8,509			8,509
Computer expense	9,200	3,067	3,067	15,334
Consulting	10,180	30,541	10,180	50,901
Depreciation - Note 5	493	301	302	1,096
Direct mail	6,026		9,039	15,065
Federal/state campaigns			13,104	13,104
Financial assistance	107,212			107,212
Forums	2,738			2,738
Grant expense	2,953			2,953
Grants, nursing	938			938
Grants, research - Note 10	1,417,468			1,417,468
Group insurance and employee benefits	39,524	18,600	19,375	77,499
Insurance	2,839	1,506	1,449	5,794
Medical awards dinner	17,228			17,228
Meetings	2,484	1,656		4,140
Miscellaneous	1,461	2,922	1,461	5,844
Office supplies	2,474	824	824	4,122
Payroll taxes	19,377	9,878	8,739	37,994
Postage	2,117	644	1,841	4,602
Printing and stationery	1,264		1,264	2,528
Professional fees		18,066		18,066
Public relations	384		256	640
Rent and utilities - Note 9	26,777	14,208	13,661	54,646
Repairs	1,924	385	1,539	3,848
Salaries	279,540	121,310	126,584	527,434
Telephone	4,293	2,366	2,103	8,762
Town Hall meeting	8,277			8,277
Transplant conference	20,805			20,805
Website maintenance	9,787		6,524	16,311
Total Functional Expenses	<u>\$ 2,009,131</u>	<u>\$ 245,740</u>	<u>\$ 235,956</u>	<u>\$ 2,490,827</u>

The accompanying notes are an integral part of this statement.

**LEUKEMIA RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 8,244	\$ 66,700
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,672	1,096
Change in value of beneficial interest in trust	7,252	(2,523)
Net (increase) decrease in assets		
Annuities receivable	130,458	127,558
Contributions receivable	123,579	529,479
Prepaid expenses	(3,410)	(2,402)
Net increase (decrease) in liabilities		
Accounts payable and accrued expenses	201	18,817
Grants payable	(218,386)	667,466
	<u>49,610</u>	<u>1,406,191</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Reinvestment of interest earned on certificates of deposit	(7,309)	
Purchases of property and equipment	(2,964)	
	<u>(10,273)</u>	
Net Cash Used for Investing Activities		
Net Increase in Cash and Cash Equivalents	39,337	1,406,191
Cash and Cash Equivalents		
Beginning of year	<u>2,997,134</u>	<u>1,590,943</u>
End of year	<u>\$ 3,036,471</u>	<u>\$ 2,997,134</u>

The accompanying notes are an integral part of this statement.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

The Leukemia Research Foundation (Foundation) is a tax-exempt, nonprofit organization whose mission is dedicated to conquering all blood cancers by funding research into their causes and cures, and enriching the quality of life of those touched by these diseases. The primary function of the Foundation is to award annual grants to individuals working at qualified institutions who are pursuing the cause of, or searching to find a cure for, all blood cancers, including leukemia, lymphoma, multiple myeloma, and myelodysplastic syndromes. A secondary function of the Foundation is to provide funds for hospitalization, medication, treatment, and other support for patients with these diseases. Third, the Foundation provides educational and emotional support by producing a number of complimentary, patient-focused one-day conferences each year including a Town Hall Meeting, Treatment Options Conference, and Town Hall in Spanish.

The Foundation, located in Northfield, Illinois, has 22 active chapters in the Chicago area that conduct various fundraising activities on behalf of the Foundation. The chapters make periodic remittances of the proceeds of fundraising activities to the Foundation. Such remittances, along with other donations and fundraising activities, constitute the major sources of Foundation funding.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Information regarding the financial position and activities of the Foundation are reported in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Without donor restrictions - Net assets without donor restrictions are not subject to donor-imposed stipulations, but may be subject to board designations. They include all activities of the Foundation, except for those amounts that are restricted by external donors.
- With donor restrictions - Net assets with donor restrictions are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Foundation (purpose restrictions). Net assets with donor restrictions may also be imposed by donors who require that the principal of this class of net assets be invested in perpetuity and only the investment income be expended.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at historical cost. The Foundation capitalizes fixed asset additions over \$1,500. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. The estimated useful lives used in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Computer and office equipment	5
Furniture and fixtures	7
Office equipment	7
Software	3
Website development	3

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as increases in donor restricted support. Donor restricted contributions and earnings whose restrictions are met in the same year are reported as support without donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Chapter remittances are recognized as revenue upon receipt.

The Foundation recognizes contributions of specialized services in lieu of cash contributions at their estimated fair values at the date of donation. Contributed services include a variety of services which the Foundation would otherwise need to purchase.

LEUKEMIA RESEARCH FOUNDATION NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grants

Grant awards are recorded as an expense and as a payable for the entire amount when the decision to award the grant is made. Grants payable over more than one-year are recorded at present value.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses which are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. For the year ended June 30, 2019, certain indirect costs and overhead have been allocated among the program and supporting services benefited based on the following methodologies:

- Time and effort - salaries and benefits
- Full time equivalents - consulting, computer expense, office related expenses, and website
- Square footage - liability insurance, repairs and maintenance, occupancy, and utilities

For the year ended June 30, 2018, certain indirect costs and overhead have been allocated among the program and supporting services benefited based on time and effort devoted to the functional areas.

Use of Estimates in the Preparation of Financial Statements

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied under accounting principles generally accepted in the United States of America requiring use of fair value. It establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

LEUKEMIA RESEARCH FOUNDATION NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - Continued

Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's estimates about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments and block discounts are not applied to level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The beneficial interest in trust, as more fully described in Note 11, is designated as level 3 in the fair value hierarchy. The fair value of the beneficial interest is calculated by multiplying the Foundation's share of the trust by the fair value of the total trust as reported by the bank acting as trustee.

Income Taxes

The Foundation is a nonprofit corporation which has been granted a tax-exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code for all business income related to the organization's tax-exempt purpose. The Foundation had no unrelated business income during the years ended June 30, 2019 or June 30, 2018.

Evaluation of Tax Positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of June 30, 2019 and 2018, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

LEUKEMIA RESEARCH FOUNDATION NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Effect of Recently Issued Accounting Standards

In August 2016 FASB issued new rules for nonprofit organizations under Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (NFP). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources. See Note 2. The Foundation opted not to disclose liquidity and availability information as of June 30, 2018, as permitted under the ASU in the year of adoption.
- The Foundation is required to present an analysis of expenses by both function and natural classification which is presented on the statement of functional expenses. Additional disclosures are required regarding specific methodologies used to allocate costs among program and support functions for the year ended June 30, 2019.

In February 2016 FASB issued ASU 2016-02 *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures.

In June 2018 FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

LEUKEMIA RESEARCH FOUNDATION NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Effect of Recently Issued Accounting Standards - Continued

Specifically, the amendments:

- Clarify how an NFP determines whether a resource provider is participating in an exchange transaction or a contribution.
- Help an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (a) a barrier that must be overcome and (b) a right of return or release of obligation.
- Modify the simultaneous release option currently in accounting principles generally accepted in the United States of America, which allows an NFP to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in this update is permitted. Management is currently evaluating the impact these changes in accounting standards will have on the Foundation's financial statements and related disclosures.

Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosures through September 11, 2019, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The purpose of the Foundation's Operating Reserve Policy is to build and maintain an adequate level of net assets without donor restrictions to support the Foundation's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Foundation intends for the operating reserves to be used and replenished within a reasonable period of time. The Operating Reserve Policy is implemented in conjunction with the other financial policies of the Foundation and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

2. LIQUIDITY AND AVAILABILITY - Continued

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The target minimum Operating Reserve Fund is equal to 12 months of average recurring operating costs.

The following table reflects the Foundation's financial assets as of June 30, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because of net assets with donor restrictions for certain purpose restrictions.

	<u>2019</u>
Cash and cash equivalents	\$ 3,036,471
Annuities receivable, current portion	133,424
Contributions receivable	<u>103,790</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 3,273,685</u></u>

3. ANNUITIES RECEIVABLE

Annuities receivable consist of three annuity contracts received in 2014 with guaranteed monthly payments to the Foundation through August 2021. The schedule of payments due the Foundation is as follows:

Less than one year	\$ 136,857
One to five years	<u>80,818</u>
Gross annuities receivable	217,675
Less: Discount to present value	<u>4,176</u>
Net annuities receivable	213,499
Less: Current portion	<u>133,424</u>
Long Term Portion	<u><u>\$ 80,075</u></u>

The discount rate used in determining the net present value of annuities receivable is 2.5%.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable include amounts pledged to the Foundation but not collected at year end. Amounts are due within one year. Contributions receivable also include amounts pledged by Federal and State employees through payroll deductions to Medical Research Charities, Neighbor to Nation, and the Maryland Charity Campaign at June 30, 2019 and 2018. Based on historical data, 75% of amounts pledged to these employee charitable giving programs are estimated to be collectible. The Foundation records the receivable at this net value.

5. PROPERTY AND EQUIPMENT

Major classes of property and equipment are as follows at June 30:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Computer and office equipment	\$ 44,331	\$ 41,367
Furniture and fixtures	48,365	48,365
Office equipment	5,000	5,000
Software	30,100	30,100
Website development	<u>6,710</u>	<u>6,710</u>
	134,506	131,542
Less: Accumulated depreciation	<u>129,876</u>	<u>128,204</u>
Net Property and Equipment	<u>\$ 4,630</u>	<u>\$ 3,338</u>

Depreciation expense is \$1,672 and \$1,096 for the years ended June 30, 2019 and 2018, respectively.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Restricted for time or purpose		
Annuities receivable	\$ 213,499	\$ 343,957
Bequests and research grants receivable	10,020	153,240
Medical awards dinner		18,325
Restricted in perpetuity		
Endowment		
The Elizabeth Ferguson Patients' Assistance Fund	30,000	30,000
Leslie Ann Daniels Memorial Grant	53,945	50,000
Beneficial interest in Kenneth W. Memorial Trust	<u>409,443</u>	<u>416,695</u>
Total Net Assets with Donor Restrictions	<u>\$ 716,907</u>	<u>\$1,012,217</u>

During the years ended June 30, 2019 and 2018, net assets of \$302,023 and \$505,057, respectively, were released from donor restrictions for the passage of time, patient outreach and education, patient financial assistance, and medical research.

7. ENDOWMENT

The endowment consists of two funds. The Elizabeth Ferguson Patient Assistance Fund, established in 1994, has a \$30,000 principal. Earnings of this fund are restricted by the donor to provide assistance to patients and their families. The Leslie Ann Daniels Memorial Fund was established in 2012 with a \$50,000 principal. The donor has stipulated that once the principal reaches \$100,000, earnings may be distributed in increments of \$5,000 to fund medical research through the Foundation's New Investigator Research Program. Both funds have been deposited into segregated accounts as per donor stipulation and are restricted in perpetuity (Note 6). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LEUKEMIA RESEARCH FOUNDATION NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENT - Continued

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions in perpetuity as (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the endowment considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Spending Policy and How the Investment Objectives Relate to Spending Policy

Donor funds received for the endowment are invested in certificates of deposit, which are managed by Foundation management. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. The Foundation has adopted an investment policy for endowment assets that strives for long-term growth while at the same time generates a reasonable current return for programs supported by its endowment. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through current yield (interest).

The board of directors is required to follow the spending policies as stipulated by the donors of the endowment fund. The Foundation was in compliance with these policies for the years ended June 30, 2019 and 2018.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

7. ENDOWMENT - Continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

	<u>Restricted for Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Balance at June 30, 2017	\$ -	\$ 80,000	\$ 80,000
Interest and dividends	482		482
Patient assistance	<u>(482)</u>		<u>(482)</u>
Balance at June 30, 2018		80,000	80,000
Interest and dividends	691	3,945	4,636
Patient assistance	<u>(691)</u>		<u>(691)</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 83,945</u>	<u>\$ 83,945</u>

8. CONTRIBUTED GOODS AND SERVICES

Contributed goods and services for chapter events totaled \$75,050 and \$84,300 for the years ended June 30, 2019 and 2018, respectively.

9. LEASE COMMITMENTS

In August 2014, the Foundation entered into a lease for space in Northfield, Illinois to be occupied from April 2015 through June 2020. The agreement is for 2,250 square feet, with rent ranging from \$4,125 to \$4,667 per month, plus a proportionate share of taxes and operating expenses.

Future minimum rental payments under this operating lease are \$54,980 for the year ended June 30, 2020. Rent expense for the years ended June 30, 2019 and 2018 was \$54,575 and \$52,902, respectively.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

10. RESEARCH GRANTS

A Medical Advisory Board appointed by the Foundation reviews proposals and approves new investigator research grants awarded to recipients. The Medical Advisory Board is an independent group comprised of medical doctors (clinicians) and Ph.D.'s (researchers) who serve on a voluntary basis. The Foundation recognizes the expense associated with these grants in the period they are awarded. The research grants are paid on a quarterly basis. Any grants returned to the Foundation after being awarded are included in revenues on the statement of activities.

The Foundation's Hollis Brownstein Research Grants Program (Program) offers grant funding to new investigator applicants in the amount of up to \$100,000 per award. This specialized funding opportunity allows the Foundation to fund young scientists at a critical point in their careers when they may be on the verge of breakthrough discoveries, yet find it difficult to secure proper funding.

New investigator research grants awarded during each fiscal year are one year grants.

New investigator research grants awarded under the Program during the year ended June 30, 2019, payable as of June 30, 2019, and due during the year ended June 30, 2020, are as follows:

Daichi Inoue MD, PhD, Institute of Biomedical Research and Innovation	\$ 100,000
Rui Lu, PhD, University of Alabama	100,000
Raffaella Di Micco, PhD, Ospedale San Raffaele	100,000
Christopher Ott, PhD, Massachusetts General Hospital Cancer Center	100,000
Steven M. Chan, MD, PhD, Princess Margaret Cancer Centre	100,000
Hamza Celik, PhD, Washington University School of Medicine	100,000
Irum Khan, MD, University of Illinois at Chicago	100,000
Mario Blanco, PhD, University of Pennsylvania	100,000
Capucine Van Rechem, PhD, Stanford University	100,000
Stephanie A Berg, DO, Cardinal Bernardin Cancer Center, Loyola University Medical Center	100,000
Michael Milyavsky, PhD, Tel Aviv University	100,000
Yongsoo Kim, PhD, VU Medical Center	<u>99,080</u>
Total New Investigator Research Grants Awarded and Payable	<u><u>\$1,199,080</u></u>

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

10. RESEARCH GRANTS - Continued

New investigator research grants awarded under the Program during the year ended June 30, 2018, payable as of June 30, 2018, and paid during the year ended June 30, 2019, are as follows:

Shunji Egusa, PhD, University of North Carolina	\$ 100,000
Kishore Challagundla, PhD, University of Nebraska Medical Center	100,000
Daniel Herranz Benito, PhD, Rutgers Cancer Institute	100,000
Russel J. H. Ryan, MD, University of Michigan	100,000
Esther A. Obeng, MD, PhD, St. Jude Children's Research Hospital	100,000
Matthew Mei, MD, City of Hope National Medical Center	100,000
Jin Seon Im, MD, PhD, University of Texas MD Anderson Cancer Center	100,000
Brittany Knick Ragon, MD, University of Texas MD Anderson Cancer Center	100,000
Cristina Scielzo, PhD, IRCCS	100,000
Paulina Podszycwalow-Bartnicka, PhD, Nencki Institution of Experimental Biology	100,000
Chintan Parekh, MD, Children's Hospital Los Angeles	100,000
Yue Wei, PhD, University of Texas MD Anderson Cancer Center	<u>67,468</u>
Total New Investigator Research Grants Payable	<u><u>\$1,167,468</u></u>

During the year ended June 30, 2018, the board of directors approved a \$250,000 grant payable to the Loyola University of Chicago to fund a clinical trial furthering groundbreaking research and treatments. This grant was paid in full during the year ended June 30, 2019.

11. BENEFICIAL INTEREST IN TRUST

The Foundation is the beneficiary of a 20% share of income generated from the Kenneth W. Thomas Memorial Trust (Trust). The Trust's fair value as of June 30, 2019 and 2018 was \$2,047,213 and \$2,083,473, respectively. \$409,443 and \$416,695 at June 30, 2019 and 2018, respectively, was recorded on the statement of financial position as beneficial interest in trust, which represents 20% of the Trust's fair value. Annual distributions from the Trust during the years ended June 30, 2019 and 2018 were \$22,743 and \$18,203, respectively, and were recorded as contribution revenue when received.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

11. BENEFICIAL INTEREST IN TRUST - Continued

The following sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3) during the years ended June 30, 2019 and 2018:

	<u>Total</u>
Balance at June 30, 2017	414,172
Change in value of beneficial interest in trust	<u>2,523</u>
Balance at June 30, 2018	416,695
Change in value of beneficial interest in trust	<u>(7,252)</u>
Balance at June 30, 2019	<u>\$ 409,443</u>

12. CONCENTRATIONS

Annuities receivable from one donor were \$213,499 and \$343,957 at June 30, 2019 and 2018, respectively.

13. VOLUNTEER SERVICES

A significant amount of volunteer services is contributed to the Foundation by various individuals to support the Foundation's program and supporting services. These volunteer activities include participating on the board of directors and working on various chapter events. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

**LEUKEMIA RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

14. CHAPTER REMITTANCES

Chapter revenue is stated at net on the accompanying statement of activities. The following details each chapter's net remittance for the years ended June 30:

	<u>2019</u>	<u>2018</u>
A La Vida Chapter	\$ 3,000	\$ -
Andy's Chapter of Hope	1,500	1,235
Barbara J. Timmer Memorial Chapter	56,000	50,000
Conquering Leukemia	(11)	
Dad's Chapter	8,186	6,288
Dan Barton Memorial Chapter	425	400
Danny's Team	568	8,214
Davidson/Brin Chapter	349,833	442,110
Goland-Orenstein-Sherman Chapter	27,968	88,305
Jeff Vickers Memorial	150	350
Jessica Shayne Magid "Chai"	33,451	28,122
Jim Gibbons Memorial Chapter	65,718	97,447
Joey's Angels Chapter	133,984	118,292
Jonathon Michael Schatz	7,275	8,100
Lipinski-Callahan-Daly Chapter	385	3,205
Nicholas Orjuela/Little Lefty	(38)	9,766
Nick Madrid "Life is Worth Fighting For"	1,000	1,000
North Suburban Chapter	11,489	11,609
Pamela Beth Gerson		500
Penny's Angels	50	25
Phillip "Poppie" Gaston Chapter	6,346	5,400
Somebody's Hero - Kathleen Meyers - Grabeman Chapter		4,153
Steve "Grimey" Grimes Memorial	5,300	6,025
Suzanne's Friends-for-Life Chapter	48,172	35,342
Valerie Cohen Memorial Chapter		700
Wolff-Berger-Croft-Kolodny Chapter	5,870	30,000
Total Chapter Remittances	<u>\$ 766,621</u>	<u>\$ 956,588</u>

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