

CUTANEOUS LYMPHOMA FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

INDEX

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4 - 5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 11
SCHEDULE OF FUNCTIONAL EXPENSES	12

O'BRIEN, RIVAMONTE, SLATE & SCHULTE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
25800 NORTHWESTERN HIGHWAY #1100
SOUTHFIELD, MICHIGAN 48075

MEMBERS
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

(248) 353-2800
FAX (248) 353-2737
www.ors-cpa.com

MEMBERS
THE MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Cutaneous Lymphoma Foundation, Inc.

We have audited the accompanying statements of financial position of Cutaneous Lymphoma Foundation, Inc., (a Michigan nonprofit corporation) as of June 30, 2017 and 2016, and the related statements of activities 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit 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 Cutaneous Lymphoma Foundation, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Brien, Rivamonte, Slate & Schulte, P.C.

Southfield, Michigan
September 25, 2017

**CUTANEOUS LYMPHOMA FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 & 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 556,671	\$ 657,148
Promises to give	60,000	65,000
Inventory	2,368	1,990
Total current assets	<u>619,039</u>	<u>724,138</u>
FIXED ASSETS		
Property and equipment	55,219	3,865
Less: Accumulated depreciation	3,865	3,865
TOTAL FIXED ASSETS	<u>51,354</u>	<u>0</u>
OTHER ASSETS		
Prepaid rent	1,386	1,019
Security deposit	1,386	1,333
Total other assets	<u>2,772</u>	<u>2,352</u>
TOTAL ASSETS	<u>\$ 673,165</u>	<u>\$ 726,490</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 15,836	\$ 7,497
Accrued expenses	82,703	93,517
Total current liabilities	<u>98,539</u>	<u>101,014</u>
NET ASSETS		
Unrestricted	198,590	186,108
Temporarily restricted	376,036	439,368
Total net assets	<u>574,626</u>	<u>625,476</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 673,165</u>	<u>\$ 726,490</u>

See independent auditor's report and accompanying notes to financial statements.

**CUTANEOUS LYMPHOMA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 173,575	\$ 628,335	\$ 801,910
Merchandise sales, net of cost of goods sold of \$172 in 2017 and \$90 in 2016	(172)	0	(172)
Interest income	201	0	201
TOTAL SUPPORT AND REVENUE	<u>173,604</u>	<u>628,335</u>	<u>801,939</u>
NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS	<u>691,667</u>	<u>(691,667)</u>	<u>0</u>
	<u>865,271</u>	<u>(63,332)</u>	<u>801,939</u>
FUNCTIONAL EXPENSES			
Program	695,708	0	695,708
Management and general	98,016	0	98,016
Fundraising	59,065	0	59,065
TOTAL FUNCTIONAL EXPENSES	<u>852,789</u>	<u>0</u>	<u>852,789</u>
CHANGE IN NET ASSETS	<u>12,482</u>	<u>(63,332)</u>	<u>(50,850)</u>
NET ASSETS - beginning of year	186,108	439,368	625,476
NET ASSETS - end of year	<u>\$ 198,590</u>	<u>\$ 376,036</u>	<u>\$ 574,626</u>

See independent auditor's report and accompanying notes to financial statements.

**CUTANEOUS LYMPHOMA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 213,588	\$ 507,000	\$ 720,588
Merchandise sales, net of cost of goods sold of \$90 in 2016 and \$111 in 2015	(10)	0	(10)
Interest income	325	0	325
TOTAL SUPPORT AND REVENUE	213,903	507,000	720,903
NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS	722,834	(722,834)	0
	936,737	(215,834)	720,903
FUNCTIONAL EXPENSES			
Program	788,924	0	788,924
Management and general	68,328	0	68,328
Fundraising	52,825	0	52,825
TOTAL FUNCTIONAL EXPENSES	910,077	0	910,077
CHANGE IN NET ASSETS	26,660	(215,834)	(189,174)
NET ASSETS - beginning of year	159,448	655,202	814,650
NET ASSETS - end of year	\$ 186,108	\$ 439,368	\$ 625,476

See independent auditor's report and accompanying notes to financial statements.

**CUTANEOUS LYMPHOMA FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 & 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in net assets	\$ (50,850)	\$ (189,174)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	0	708
(Increase) / decrease in operating assets:		
Promises to give	5,000	(22,000)
Inventory	(378)	165
Prepaid rent	(367)	0
Security deposit	(53)	0
Increase / (decrease) in operating liabilities:		
Accounts payable	8,339	(11,082)
Accrued expenses	<u>(10,814)</u>	<u>2,685</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(49,123)</u>	<u>(218,698)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed asset purchases	<u>(51,354)</u>	<u>0</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(51,354)</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(100,477)	(218,698)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>657,148</u>	<u>875,846</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 556,671</u>	<u>\$ 657,148</u>

See independent auditor's report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CUTANEOUS LYMPHOMA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Cutaneous Lymphoma Foundation, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Program

Cutaneous Lymphoma Foundation, Inc. (hereinafter called the Foundation), was established and became operational in 1998. The Foundation is an independent, not-for-profit patient advocacy organization dedicated to supporting patients with cutaneous lymphomas by promoting awareness and education, advancing patient care, and facilitating research. The Foundation is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation's primary sources of revenue are grants and contributions.

Basis of Accounting

The Foundation follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Promises to Give

Promises to give are recorded as a receivable when all conditions are met. Unconditional promises to give due in the next year are recorded at net realizable value. Unconditional promises to give due after one year are recorded at the present value of their net realizable value. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. All promises to give recorded on statement of financial position were received within one year. A \$100,000 promise to give received during the June 30, 2017 fiscal year was deemed to be conditional by the board of directors. It was not recorded as revenue or a receivable for the current fiscal year of June 30, 2017.

CUTANEOUS LYMPHOMA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in the banks plus short term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Property & Equipment

Property and equipment purchased by the Foundation is recorded on its books at cost. Property and equipment donated to the Foundation is recorded at its estimated value at the date of receipt by the Foundation. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Website costs were capitalized during the year but depreciation will not start until next fiscal year because the website was not placed into service as of June 30, 2017.

Depreciation expense is provided under the straight-line method over five years. Gains or losses from the sale of property and equipment are recorded in the statements of activities.

Financial Statement Presentation and Contribution

The Foundation reports information regarding its financial position and activities according to three classes or net assets: unrestricted net assets, temporarily restricted assets and permanently restricted net assets. Accordingly, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature or any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. The Foundation has no permanently restricted net assets.

Donated Goods and Services

Donated goods and services are reflected as revenue and expense in the period received at their estimated values on the date or receipt. In addition, a number of professional and non-professional volunteers have donated hours of their time in the Foundation's programs. No value for these donated services is reflected in the accompanying financial statements because they have not met the criteria to be recorded.

CUTANEOUS LYMPHOMA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs, management and general, and fundraising on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Inventory

Inventory is stated at cost and consists primarily of bike jerseys and t-shirts.

Income Taxes

The Foundation is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax on income derived from its exempt function. The Foundation believes that it is no longer subject to examination by the Internal Revenue Service for the tax years that ended prior to June 30, 2013.

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions for potential recognition or disclosure through September 25, 2017, the date the financial statements were available to be issued.

NOTE 2 - CREDIT RISK

The Foundation maintains cash and cash equivalents at four financial locations in Michigan. Each institution is insured by the Federal Deposit Insurance Corporation with a \$250,000 limit coverage on cash accounts. Cash and cash equivalents did not exceed the coverage limit as of June 30, 2017. The Foundation's management does not believe it is exposed to any significant credit risks in cash and cash equivalents.

NOTE 3 - MAJOR CONTRIBUTOR

Support from four organizations amounted to 70% of total support and revenue for the year ended June 30, 2017. Loss of such support could have a significant impact on the Foundation's activities. Management is making efforts to reduce the concentration of its revenue and support by developing the donor base.

CUTANEOUS LYMPHOMA FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2017 & 2016

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 3,865	\$ 3,865
Website	51,354	-
Less: accumulated depreciation	3,865	3,865
Total	<u>\$ 51,354</u>	<u>\$ -</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Education, patient forums, and publications	\$ 190,500	\$ 247,167
Research	182,483	189,149
Wound care	3,053	3,053
Total temporarily restricted net assets	<u>\$ 376,036</u>	<u>\$ 439,369</u>

Net assets were released from restrictions during the year ended June 30, by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Research related expenses	\$ 100,000	\$ 153,000
Education, patient forums, and publications	591,667	569,834
Total release of temporarily restricted net assets	<u>\$ 691,667</u>	<u>\$ 722,834</u>

NOTE 6 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Checking account	\$ 137,930	\$ 238,589
Savings account	418,741	418,559
Total	<u>\$ 556,671</u>	<u>\$ 657,148</u>

CUTANEOUS LYMPHOMA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NOTE 7 - LEASE COMMITMENTS

The Foundation leases office space under a five year lease beginning July 1, 2017 and continuing through June 30, 2022. The lease requires monthly installments of \$1,386 for the entire lease period. Rent expense was \$17,016 and \$15,526 during the year ending June 30, 2017 and 2016, respectively.

Future minimum lease payments for the years ending June 30 are as follows:

2018 thru 2022	\$15,958
----------------	----------

NOTE 8 - BENEFIT PLAN PARTICIPATION

The Foundation is a participant in a multiple employer 401(k) Plan of the professional employer organization which also provides the staffing for the Foundation. Staff who are over the age of 21 are eligible to participate. The plan allows for elective matching contributions by the Foundation. Total contributions by the Foundation amounted to \$35,562 and \$31,049 during the year ended June 30, 2017 and 2016, respectively.

CUTANEOUS LYMPHOMA FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

	2017			2016	
	Program	Management and General	Fundraising	Total	Total
Research grant expense	\$ 53,000	\$ -	\$ -	\$ 53,000	\$ 153,000
Officer compensation	146,825	24,416	12,290	183,531	176,723
Other compensation	118,852	35,436	25,019	179,307	129,627
Payroll taxes and benefits	50,333	11,032	7,584	68,949	74,749
Payroll processing fees	4,835	1,060	729	6,624	5,566
Professional fees	30,926	5,410	-	36,336	54,495
Occupancy	14,372	2,695	898	17,965	16,562
Insurance	2,085	391	130	2,606	2,642
Supplies and office expense	4,478	840	280	5,598	6,537
Needs assess / Staff develop	-	114	-	114	87
Telephone expense	5,498	509	-	6,007	5,707
Postage and shipping	19,160	192	2,488	21,840	22,137
Printing	23,738	580	4,610	28,928	41,451
Conferences and forums	143,425	-	-	143,425	131,183
Travel	66,907	593	1,585	69,085	61,966
Board meetings	-	9,156	-	9,156	7,167
Awareness Campaigns	640	-	-	640	5,012
Dues and subscriptions	-	3,598	-	3,598	4,481
Computer services	10,634	1,994	665	13,293	5,964
Licenses and fees	-	-	2,787	2,787	4,313
Depreciation	-	-	-	-	708
TOTAL EXPENSES	\$ 695,708	\$ 98,016	\$ 59,065	\$ 852,789	\$ 910,077