

CARSON LESLIE FOUNDATION
FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019

CARSON LESLIE FOUNDATION

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A Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Carson Leslie Foundation:

We have audited the accompanying financial statements of Carson Leslie Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 Carson Leslie Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Carson Leslie Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2019. In our

opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CM Rosen, LLC

Dallas, Texas
August 28, 2020

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STATEMENT OF FINANCIAL POSITION

(As of December 31, 2019, with summarized totals as of December 31, 2018)

	2019	2018
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 593,044	\$ 570,966
Contributions receivable	47,345	52,188
Care packages on hand	24,811	5,169
	665,200	628,323
<u>NON-CURRENT ASSETS</u>		
Programmatic investment	100,000	-
Other assets	3,310	-
	103,310	-
Total assets	768,510	628,323
 LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	9,962	8,610
	9,962	8,610
Total liabilities	9,962	8,610
<u>NET ASSETS</u>		
Without donor restrictions	718,601	599,218
With donor restrictions	39,947	20,495
	758,548	619,713
Total liabilities and net assets	768,510	628,323

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

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STATEMENT OF ACTIVITIES

(For the year ended December 31, 2019, with summarized totals for the year ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND GAINS				
Contributions	\$ 189,768	\$ -	\$ 189,768	\$ 227,385
Fundraising events, net	47,215	45,020	92,235	29,803
In-kind donations	57,691	-	57,691	44,138
Interest income	9,796	-	9,796	5,856
Book sales	1,935	-	1,935	951
Net assets released from restrictions	25,568	(25,568)	-	-
Total revenues and gains	331,973	19,452	351,425	308,133
EXPENSES AND LOSSES				
Program services				
Research	105,009	-	105,009	62,557
Encouragement and support	26,793	-	26,793	37,128
	131,802	-	131,802	99,685
Supporting services				
Management and general	53,954	-	53,954	35,622
Fundraising	26,834	-	26,834	20,993
	80,788	-	80,788	56,615
Total expenses and losses	212,590	-	212,590	156,300
CHANGES IN NET ASSETS	119,383	19,452	138,835	151,833
Net assets at beginning of year	599,218	20,495	619,713	467,880
Net assets at end of year	718,601	39,947	758,548	619,713

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

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STATEMENT OF FUNCTIONAL EXPENSES

(For the year ended December 31, 2019, with summarized totals for the year ended December 31, 2018)

	2019					2018
	Research	Encourage- ment & Support	Manage- ment & General	Fundraising	Total	Total
Contract service fees	\$ 10,636	\$ 292	\$ 41,702	\$ 10,433	\$ 63,063	\$ 35,649
Research grants	58,018	-	-	-	58,018	49,812
Conferences & meetings	18,164	13,890	191	13,612	45,857	23,639
Travel	10,728	-	141	-	10,869	6,349
Care packages	-	9,682	-	-	9,682	14,755
Occupancy	2,239	2,496	1,114	1,111	6,960	6,079
Advertising & promotion	2,694	54	3,223	423	6,394	2,004
Office expenses	2,530	379	1,259	1,255	5,423	14,275
Insurance	-	-	3,033	-	3,033	1,618
Information technology	-	-	937	-	937	532
Interest	-	-	47	-	47	87
Other	-	-	2,307	-	2,307	1,501
Total expenses	105,009	26,793	53,954	26,834	212,590	156,300
Other costs not reported previously						
Cost of direct benefits	-	-	-	47,806	47,806	27,513

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STATEMENT OF CASH FLOWS

(For the year ended December 31, 2019, with summarized totals for the year ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO</u>		
<u>NET OPERATING CASH FLOWS</u>		
Change in net assets	\$ 138,835	\$ 151,833
Changes in operating assets and liabilities, net		
Contributions receivable	4,843	(13,835)
Care packages on hand	(19,642)	1,384
Accounts payable and accrued expenses	1,352	4,839
Net cash provided by (used in) operating activities	125,388	144,221
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of programmatic investment	(100,000)	-
Purchase of other assets	(3,310)	-
Net cash provided by (used in) investing activities	(103,310)	-
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	22,078	144,221
Cash and cash equivalents, beginning of year	570,966	426,745
Cash and cash equivalents, end of year	593,044	570,966

NOTES TO FINANCIAL STATEMENTS

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Carson Leslie Foundation (the “Organization”) is a nonprofit corporation formed in 2012. Its mission is to raise funds for research leading to a cure for pediatric cancer and to enrich the lives of teens in the battle. During 2018, this was fulfilled primarily by means of providing research grants, hosting outings for teenage cancer patients at premier sporting events, and providing care packages to hospital patients in Dallas, Texas. These activities are substantially funded by contributions and fundraising events.

Tax-Exempt Status

The Organization has been determined by the Internal Revenue Service to be a Section 501(c)(3) charitable organization exempt from federal income taxes. Contributions to the Organization are considered tax-deductible under Section 170 of the Internal Revenue Code. The Organization did not have any unrelated business income for the year ended December 31, 2019.

Management has concluded that any tax positions which would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the statement of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date on which the returns are filed.

Estimates

The accompanying financial statements have been prepared on the accrual basis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amount of assets, liabilities, and disclosures of contingencies at the date of the financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at time of purchase.

Contributions Receivable and Contribution Revenue Recognition

Contributions are recognized as revenue in the period in which they are unconditionally made or promised, or in the case of conditional contributions, when the associated conditions have been met. Unconditional promises to give which are due within one year are reported at net realizable value, which approximates fair value. Promises with payments due after one year are initially reported at fair value computed using expected cash flows reflecting the credit worthiness of the donor and a discount rate adjusted to include a risk premium. No allowance for uncollectible accounts is recorded because the full amounts have been estimated to be collectable based upon historical experience. As of December 31, 2019, all promises were due within one year.

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Values of donated materials which are sold at auction during fundraising events are adjusted to the amounts of winning bids. Any donated services are recognized as revenue in the period in which they were performed if they either enhance the Organization's non-financial assets or if they require specialized skills, were performed by individuals possessing those skills, and would typically be purchased if not provided by donation. Any recognized revenue is offset by a corresponding expense or asset.

Accounts Receivable and Revenue Recognition from Contracts with Customers

The Organization assesses the obligations promised in contracts and identifies performance obligations for each promise to transfer goods or services. To identify the performance obligations, the Organization considers all promises in the contract, whether explicitly stated or implied, based on customary business practices. Revenue is recognized when a performance obligation is satisfied by transferring control of promised goods or services to customers, which can occur over time or at a point in time. Associated contract revenue disaggregated based on the timing of the transfer of goods or services was as follows for the year ended December 31, 2019:

	Upon Delivery	Upon Shipment	As Service is Rendered	Upon Completion of the Service	Total
Fundraising event income (exchange portion)	\$ -	\$ -	\$ -	\$ 92,235	\$ 92,235

Receivables represent rights to consideration that are unconditional in accordance with contract terms, regardless of when revenue has been earned or performance obligations have been met. Any revenue earned which is not yet receivable is reported as a contract asset. Any receivables recorded or payments collected before revenue is earned are represented by a contract liability in the form of obligations to perform or to refund the customer. There were no beginning and ending balances in such items as of December 31, 2019.

Any sales taxes collected on behalf of third parties are excluded from revenue and recorded as a liability until paid. No significant shipping fees are incurred. There are no significant performance obligations for warranties, returns, or refunds to customers. The Organization has elected to apply the practical expedient provided in FASB ASC 606-10-32-18 and therefore does not adjust the promised amount of consideration for the effects of significant financing components if it is expected, at contract inception, that the period between when the Organization transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Organization has also elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The following describes additional revenue recognition details for each type of contract:

Fundraising event income (exchange portion) – Such income represents the portion of registration fees and sponsorships for the Organization's fundraising events for which attendees receive direct benefits, such as food and entertainment. Performance obligations are generally met throughout each entire event. Payments consist of fixed fees and are due in advance. Revenue is recognized upon

NOTES TO FINANCIAL STATEMENTS

completion of each event. There were no unsatisfied performance obligations as of December 31, 2019.

Programmatic Investment

The Organization's investment consists entirely of preferred stock in a research company. The purchase agreement stipulates that the cash transferred upon purchase must be used exclusively to advance research leading to a cure for medulloblastoma, that the funds cannot be used for any commercial purpose, and that the Organization can conduct monitoring on the research's progress, among other terms. Because there is no readily determinable fair value and the investment does not qualify for the practical expedient to estimate fair value using net asset value, it is reported at cost minus any impairment and the effects of observable price changes in orderly transactions for the identical or similar investment of the same issuer. As of December 31, 2019, there were no such impairments or adjustments (downward or upward) known due to the absence of any known relevant and recent transactions.

Net Asset Classifications

Net assets, and changes in net assets by means of revenues, expenses, gains, and losses, are classified into the following categories:

Without donor restrictions – Those available for use in general operations and not subject to donor stipulations.

With donor restrictions – Those subject to donor-imposed stipulations. Some restrictions are temporary in nature, such as those which will be met by the passage of time or by other events specified by the donor. Other restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Restrictions are released when the stipulated time has elapsed, the purposes for which the resources were restricted have been fulfilled, or both. Upon release, 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. In the absence of explicit donor stipulations, gifts of both long-lived assets and other assets restricted for the acquisition of long-lived assets are released from restriction when the long-lived assets are placed in service.

Grants in the Form of Care Packages

Care packages are provided to local hospitals so that they can be gifted to cancer patients as needed. Costs of care packages are expensed upon delivery to the hospitals because there is no expectation that any will be unused and returned.

Functional Allocation of Expenses

The costs of program and supporting activities 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. Many costs are identified with a specific program or supporting function when incurred and are reported accordingly. Certain costs are attributed to more than one program or

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supporting function and, therefore, require allocation among the functions benefited on a reasonable and consistent basis. Such contract service, occupancy, and office expenses are allocated based on estimates of time and effort.

Advertising Costs

The Organization's advertising costs, which were insignificant during the year ended December 31, 2019, are expensed as incurred.

Accounting Standards Updates

In 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its related subsequent ASUs. They modify the rules for recognition of revenue related to exchange transactions. ASU 2014-09 was originally issued in 2014 and is effective for annual periods beginning after December 15, 2019, as amended. Adopting this update resulted in re-evaluating revenue recognition and accounts receivable, contract assets, and contract liabilities, and adding new disclosures. There were no significant differences found, and therefore, no adjustments were entered.

In 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU primarily modifies the criteria for determining whether transactions are contributions or exchanges and for determining whether contributions contain relevant conditions. It was issued in June 2018 and is effective for annual periods beginning after December 15, 2018, for contributions received, and December 15, 2019, for contributions made. Early adoption is permitted, and it was applied on a modified prospective basis to agreements that were either not completed or entered into afterward. Adoption resulted in no significant financial effects.

2. PRIOR-YEAR INFORMATION

Prior-year information, as of and for the year ended December 31, 2018, is summarized and presented for comparative purposes only. It does not include sufficient detail to constitute a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets which are available within one year at December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions. Certain restrictions are not subtracted, such as those which stipulate the use of resources for specific general expenditures to be incurred within one year and those which are expected to be satisfied by the use of certain non-current or non-financial assets.

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Financial assets available within one year:	
Cash and cash equivalents	\$ 593,044
Contributions receivable, net (current)	47,345
Programmatic investment	<u>100,000</u>
	740,389
Less amounts unavailable for general expenditures within one year:	
Cash set aside as a reserve	(300,000)
Programmatic investment meant for long-term research	<u>(100,000)</u>
	(400,000)
Total financial assets available to meet cash needs for general expenditures within one year	340,389

General and capital expenditures, along with other liabilities and obligations, are anticipated to be funded primarily through cash received by donation and fundraising events. The Organization manages its liquidity by developing and adopting budgets that project sufficient funds for general expenditures in meeting its obligations as they come due (actual performance is reported and monitored monthly in comparison to the budget, and adjustments are made to plan as needed to ensure adequate liquidity) and aiming to maintain \$300,000 of cash on hand at all times (see Note 4). In the event of an unanticipated liquidity need, the Organization could use draw upon its \$300,000 cash reserve.

4. CASH AND CASH EQUIVALENTS

Cash balances may not fall below \$300,000 without explicit board approval.

5. NET ASSETS

Net assets without donor restrictions at December 31, 2019, included \$300,000 designated by the board as a liquidity reserve.

Net assets with donor restrictions at December 31, 2019, consisted entirely of amounts subject to expenditure for research.

6. FUNDRAISING EVENTS

Gross activity for the Organization's fundraising events, which consisted of a clay shoot and a bowl-a-thon, was as follows for the year ended December 31, 2019:

	Clay Shoot	Bowl-a-Thon	Total
Gross revenue	\$ 77,242	\$ 62,799	\$ 140,041
Cost of direct benefits to donors	<u>(30,027)</u>	<u>(17,779)</u>	<u>(47,806)</u>
	47,215	45,020	92,235

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7. IN-KIND DONATIONS

The Organization received the following gifts-in-kind during the year ended December 31, 2019:

Contribution	Amount	Purpose
Care package contents	\$ 15,864	Care packages
Food	12,644	Fundraising and program events
Use of facilities	9,800	Administration and conference
Various supplies	6,152	Fundraising and program events
Catering services	4,381	Fundraising and program events
Entertainment	2,550	Fundraising and program events
Toys	2,500	Teens program
Photography services	2,000	Program events
Limosine transportation	1,800	Program events
	57,691	

It also benefited from services of many volunteers who assisted in delivering its programs and running fundraising events. The value of these services has been impracticable to determine, and they are not recognized in the accompanying financial statements because they do not meet the criteria for recognition.

8. LEASES

In 2019, the Organization received donated office space via an informal, month-to-month lease, and space at a storage facility was rented on a short-term basis. Accordingly, there were no future minimum lease payments. Rent expense totaled \$6,960 for the year ended December 31, 2019.

9. RELATED PARTY TRANSACTIONS

The following related party transactions are included in the accompanying financial statements as of and for the year ended December 31, 2019:

Relationship / Description	Transaction Value for the Year	Balance Due From / (To) as of Year- End
<i>Directors on the board, their immediate family members, and associated entities</i>		
Contributions and event income	\$ 6,520	\$ -
Donated use of office space	4,800	-

NOTES TO FINANCIAL STATEMENTS

10. CONCENTRATIONS

The Organization maintains cash in bank accounts which, at times, may exceed federally insured limits. As of December 31, 2019, it had uninsured deposits totaling \$343,593. Cash is placed in established financial institutions to minimize any associated risk. Additionally, approximately 89 percent of the Organization's receivables as of December 31, 2019, were due from one donor, and the Organization's programmatic investment consisted of identical shares of preferred stock of one investee. There has been no need for a policy of requiring collateral or other security to support financial instruments subject to credit risk, or of a policy of entering into master netting arrangements to mitigate the credit risk of financial instruments.

During the year ended December 31, 2019, contributions from two donors generated approximately 38% of the Organization's net revenue.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 28, 2020, which is the date on which the financial statements were available to be issued.

The outbreak of COVID-19 across the world has had a significant impact on businesses. In March 2020, stay-at-home orders in the United States of America began disrupting normal operations, resulting in substantial reductions in group gatherings and increases in job losses nationwide. The Organization has experienced a resulting reduction in donations and programmatic activities. Though these disruptions are currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Organization expects this matter to affect its financial results and performance, its ultimate impact cannot be reasonably estimated at this time.