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About Ovarian Cancer

T.E.A.L.

**Louisa M. McGregor
Ovarian Cancer Foundation®**

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T.E.A.L. Foundation

Financial Statements
(Together with Independent Auditors' Report)
and Supplementary Information

Years Ended December 31, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

T.E.A.L. FOUNDATION
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
T.E.A.L. Foundation:

We have audited the accompanying financial statements of T.E.A.L. Foundation ("T.E.A.L."), which comprise the statements of financial position as of December 31, 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.

Auditors' 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 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 T.E.A.L. Foundation as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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 audits 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.

Marks Paneth LLP

New York, NY
July 2, 2018

**T.E.A.L. FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash (Note 2M)	\$ 368,024	\$ 417,663
Contributions receivable (Note 2C)	54,296	52,343
Inventory (Note 2E)	10,195	6,869
Prepaid expenses	<u>24,912</u>	<u>22,902</u>
Total current assets	457,427	499,777
Property and equipment – net (Notes 2F and 3)	<u>8,845</u>	<u>5,366</u>
Total assets	<u>\$ 466,272</u>	<u>\$ 505,143</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,754	\$ 24,130
Total current liabilities	15,754	24,130
Unrestricted net assets (Note 2A)	440,518	481,013
Temporarily restricted net assets	<u>10,000</u>	<u>-</u>
Total net assets	<u>450,518</u>	<u>481,013</u>
Total liabilities and net assets	<u>\$ 466,272</u>	<u>\$ 505,143</u>

**T.E.A.L. FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total Unrestricted
<u>PUBLIC SUPPORT AND REVENUE:</u>				
Public support:				
Public contributions (Note 2K)	\$ 103,902	\$ 10,000	\$ 113,902	\$ 126,080
Special events revenue (Note 6)	284,502	-	284,502	338,571
City grant revenue	106,639	-	106,639	101,441
Donated materials and services	125,016	-	125,016	106,092
	<u>620,059</u>	<u>10,000</u>	<u>630,059</u>	<u>672,184</u>
Revenues (Note 2E):				
Net sales	28,446	-	28,446	10,435
Cost of goods sold	46,287	-	46,287	6,204
	<u>(17,841)</u>	<u>-</u>	<u>(17,841)</u>	<u>4,231</u>
Gross profit (loss)				
Interest and dividend income	315	-	315	140
	<u>602,533</u>	<u>10,000</u>	<u>612,533</u>	<u>676,555</u>
TOTAL PUBLIC SUPPORT AND REVENUE				
EXPENSES:				
Program services:				
Research	73,679	-	73,679	101,258
Awareness Education	320,401	-	320,401	213,005
Survivor	124,215	-	124,215	126,382
	<u>518,295</u>	<u>-</u>	<u>518,295</u>	<u>440,645</u>
Total program services				
Supporting services (Note 4):				
Management and general	94,735	-	94,735	76,073
Fundraising	29,998	-	29,998	48,425
	<u>124,733</u>	<u>-</u>	<u>124,733</u>	<u>124,498</u>
Total supporting services				
TOTAL EXPENSES	<u>643,028</u>	<u>-</u>	<u>643,028</u>	<u>565,143</u>
(DECREASE) INCREASE IN NET ASSETS	<u>(40,495)</u>	<u>10,000</u>	<u>(30,495)</u>	<u>111,412</u>
NET ASSETS – BEGINNING OF YEAR	<u>481,013</u>	<u>-</u>	<u>481,013</u>	<u>369,601</u>
NET ASSETS – END OF YEAR	<u>\$ 440,518</u>	<u>\$ 10,000</u>	<u>\$ 450,518</u>	<u>\$ 481,013</u>

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

**T.E.A.L. FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (30,495)	\$ 111,412
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Amortization	4,426	3,793
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Prepaid expenses	(2,010)	(17,069)
Contributions receivable	(1,953)	27,759
Inventory	(3,326)	(172)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(8,376)	14,491
Deferred revenue	-	(40,000)
	(41,734)	100,214
Net cash (used in) provided by operating activities	(41,734)	100,214
Cash flows from investing activities:		
Purchases of property and equipment	(7,905)	(2,297)
Net (decrease) increase in cash	(49,639)	97,917
Cash – beginning of year	417,663	319,746
Cash – end of year	\$ 368,024	\$ 417,663

**T.E.A.L. FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

T.E.A.L. Foundation (the “Foundation”) is a not-for-profit entity, organized in the State of New York in April 2009, to hold and sponsor events to raise awareness of the early symptoms of ovarian cancer and to promote early detection and education of the signs, symptoms and risk factors of ovarian cancer, while providing support to survivors and raising funds in order to find the cure for ovarian cancer.

The Foundation awards grants to research foundations in the U.S. Proposals are brought to the Foundation’s Board of Directors for approval. Grants are made by the Foundation based on the Board of Directors’ evaluations and the amount of funding available to support the grant proposals. The Foundation has always had more proposals worthy of funding than funds available. Although it is not the intention of the Foundation to award grants that will extend over multiple years, each multi-year grant is subject to an annual review and re-approval by the Board of Directors. Accordingly, only the amount of grants awarded or approved in the current year is reported as an expense in the accompanying financial statements. The Foundation also publishes information that encourages an understanding of all aspects of early detection of ovarian cancer, its treatments and the research that is ongoing in the U.S. and across the globe to stem the spread and devastation of the disease.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting and Financial Presentation - The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. As of December 31, 2017, \$10,000 is temporarily restricted and as of December 31, 2016, the assets of the Foundation were unrestricted.
- B. Use of Estimates - The preparation of financial statements in conformity with the accrual basis of accounting 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.
- C. Contributions Receivable - Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.
- D. Allowance for Uncollectible Receivables - As of December 31, 2017 and 2016, T.E.A.L. determined that an allowance for doubtful accounts and uncollectible pledges was not necessary. Such estimates are based on management’s judgment of the creditworthiness of its donors and grantors, historical experience and periodic review of the receivable status.
- E. Inventory - Inventory consists of promotional clothing and merchandise purchased for resale and is stated at lower of cost, on a first-in, first-out basis, or market.
- F. Property and Equipment - Property and equipment are stated at cost. Amortization is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

**T.E.A.L. FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- G. Deferred Revenue - Deferred revenue represents funds pledged or received from third parties for a subsequent year. The revenue will be recognized in the year it is earned.
- H. Donated Assets - Donated materials, including event supplies and other noncash donations are recorded as contributions at their fair values at the date of donation. For the years ended December 31, 2017 and 2016, the Foundation received approximately \$68,200 and \$76,000, respectively, in donated materials and property.
- I. Donated Services - The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, and various committee assignments. The Foundation recognizes contributions of services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated professional services as part of a general and administrative expense are recorded as in-kind contributions in the accompanying financial statements at their fair value on date of use or receipt to the extent that such amounts can be reasonably estimated. For the years ended December 31, 2017 and 2016, the Foundation received \$56,800 and \$30,000, respectively, in supporting management and general services.
- J. Functional Allocation of Expenses - The costs of program and supporting services have been summarized on a functional basis in the schedule of functional expenses. Certain indirect costs have been allocated by management between program and supporting services based on a percentage of direct program expenses.
- K. Contributions - T.E.A.L. Foundation reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Foundation received \$10,000 in 2017 with temporary restrictions. The Foundation has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Unrestricted contributions are recognized as revenues in the period received.

- L. Income Taxes - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, did not conduct any unrelated business activities, and is classified by the Internal Revenue Service as other than a private foundation.

GAAP clarifies the accounting for uncertainty in income taxes recognized in a foundation's financial statements by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. The Foundation has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements.

- M. Credit Risk - The Foundation maintains cash balances at a financial institution located in New York. The bank balances, at times, may exceed federally insured limits. As of December 31, 2017 and 2016, the balances held exceeded FDIC limits by approximately \$0 and \$55,000, respectively. However, the Foundation has not experienced any losses to date on such accounts.

- N. Reclassifications

Certain items in the prior period financial statements have been reclassified to conform to the current year presentation.

**T.E.A.L. FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Recently Issued Accounting Pronouncements – Not Yet Adopted

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, (Topic 606) *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The pronouncements requires that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption. The Foundation is currently assessing the impact Topic 606 will have on its financial statements. This new standard is effective for annual periods beginning after December 15, 2018.

Leases

In February 2016, the FASB issued ASU 2016-02, (Topic 842) *Leases*, which establishes a right of use model (“ROU”) that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the new standard requires a lessor to classify leases as either sales-type, finance, or operating. A lease will be treated as sale if it transfers all the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risks and rewards or control, then the lease would be classified as an operating lease. The new standard requires a modified retrospective approach to adoption. The Foundation is currently evaluating the impact Topic 842 will have on its financial statements. This new standard is effective for annual periods beginning after December 15, 2019.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of the following:

	<u>Estimated Useful Life</u>	<u>2017</u>	<u>2016</u>
Leasehold improvement	4 years	\$ 7,685	\$ 4,185
Software	3 Years	<u>16,462</u>	<u>12,057</u>
		24,147	16,242
Less accumulated amortization		<u>(15,302)</u>	<u>(10,876)</u>
		<u>\$ 8,845</u>	<u>\$ 5,366</u>

Amortization expense amounted to \$4,426 and \$3,793 for the years ended December 31, 2017 and 2016, respectively.

**T.E.A.L. FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 – DESCRIPTION OF SUPPORTING SERVICES

Management and General

Management and general includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Foundation's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Foundation, and manage the financial and budgetary responsibilities of the Foundation.

Management and general expenses accounted for approximately 15% and 13% of total expenses for the years ended December 31, 2017 and 2016, respectively.

Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations. For the years ended December 31, 2017 and 2016, fundraising activities represented approximately 5% and 9% of the Foundation's total expenses, respectively.

NOTE 5 – ADVERTISING

The Foundation uses advertising and public relations services to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. For the years ended December 31, 2017 and 2016, advertising and public relations costs totaled approximately \$51,100 and \$60,600, or 8% and 10%, respectively, of total expenses.

NOTE 6 – SPECIAL EVENTS

The Foundation conducts special events during the course of the year, including sporting events and others intended to further the mission of the Foundation. If certain criteria related to the purpose, audience and content of the event are met, costs incurred jointly to support the program or management and general functions, and the fundraising functions of the event, are allocated to the appropriate functional categories in the schedule of functional expenses. If the criteria related to the purpose, audience and content of the event are not met, all costs of the event are considered program service expenses. In all cases, the cost of goods or services provided in an exchange transaction that is part of the joint activity, such as costs of direct donor benefits of a special event (e.g., a ticket or meal) is not reported as program service costs but rather as a net reduction of special event income in the statements of activities. For the years ended December 31, 2017 and 2016, all special event expenses, except for the cost of direct benefit to donors, were attributable to program services.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

In May 2015, the Foundation entered into a four-year lease agreement for office space located at 533 16th Street, Brooklyn, New York. The lease commenced June 1, 2015. The lease requires monthly payments of \$2,300 for the first two years and monthly payments of \$2,400 in the third and fourth year. In June 2017, the Foundation, entered into another lease for additional office space located at 535 16th Street, Brooklyn, New York through May 31, 2019. The additional space requires monthly lease payments of \$1,200 over the term of the lease. The following is a schedule of the future annual lease payments for the years ending after December 31, 2017:

**T.E.A.L. FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 43,200
2019	<u>18,000</u>
	<u>\$ 61,200</u>

Rent expense amounted to approximately \$45,300 and \$32,100 for the years ended December 31, 2017 and 2016, respectively.

NOTE 8 – CONCENTRATIONS

One donor accounted for 100% of the contributions receivable as of December 31, 2017 and 2016. The same donor accounted for 17% and 15%, respectively of total revenue for the years ended December 31, 2017 and, 2016.

NOTE 9 – SUBSEQUENT EVENTS

The Foundation has evaluated its subsequent events through July 2, 2018, the date that the accompanying financial statements were available to be issued. On June 8, 2018 the Foundation signed an agreement for a revolving line of credit in the amount of \$88,000 for the term of July 1, 2018 through June 1, 2021. As of the date of this financial statement, no amounts have been drawn down.

T.E.A.L. FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

	Program Services				Supporting Services			Total 2017	Total 2016
	Research	Awareness Education	Survivor	Total	Management and General	Fundraising	Total		
Compensation and related expenses:									
Salaries and wages	\$ 3,886	\$159,847	\$ 49,091	\$212,824	\$ 14,781	\$ 9,826	\$ 24,607	\$237,431	\$167,075
Payroll taxes	322	11,526	2,339	14,187	1,226	815	2,041	16,228	12,474
Employee benefits	341	12,190	2,474	15,005	1,297	862	2,159	17,164	14,025
Total compensation and related expenses	4,549	183,563	53,904	242,016	17,304	11,503	28,807	270,823	193,574
Research grants:									
Grants awarded	65,035	-	5,000	70,035	-	-	-	70,035	90,000
Occupancy:									
Rent	1,885	18,358	13,930	34,173	7,620	3,464	11,084	45,257	32,069
Property and casualty insurance	322	3,115	2,347	5,784	959	352	1,311	7,095	5,572
Telephone	149	1,148	1,028	2,325	472	149	621	2,946	3,727
Licenses and fees	106	13,040	3,585	16,731	362	4,647	5,009	21,740	23,754
Professional fees:									
Legal and accounting	96	3,707	634	4,437	54,226	96	54,322	58,759	33,270
Outside services	30	6,321	910	7,261	5,629	4,213	9,842	17,103	18,375
Administration:									
Mailing, printing, and postage	300	9,931	2,122	12,353	71	1,642	1,713	14,066	8,611
Office and miscellaneous	1,156	45,499	20,170	66,825	3,423	2,624	6,047	72,872	84,289
Equipment rental	49	2,912	1,601	4,562	49	243	292	4,854	4,938
Bank charges	-	-	-	-	190	-	190	190	52
Meals and entertainment	-	43	75	118	-	2	2	120	835
Travel	2	1,187	300	1,489	4	120	124	1,613	1,676
Advertising and public relations	-	31,577	18,609	50,186	-	943	943	51,129	60,608
Total expenses before amortization and donated materials and services	73,679	320,401	124,215	518,295	90,309	29,998	120,307	638,602	561,350
Amortization	-	-	-	-	4,426	-	4,426	4,426	3,793
	<u>\$ 73,679</u>	<u>\$320,401</u>	<u>\$124,215</u>	<u>\$518,295</u>	<u>\$ 94,735</u>	<u>\$ 29,998</u>	<u>\$124,733</u>	<u>\$643,028</u>	<u>\$565,143</u>

See independent auditor's report