

THE 15-40 CONNECTION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
AND
INDEPENDENT AUDITOR'S REPORT

THE 15-40 CONNECTION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
15-40 Connection, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of 15-40 Connection, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 15-40 Connection, Inc. 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.

Bollus Lynch, LLP

Worcester, Massachusetts
September 18, 2018

THE 15-40 CONNECTION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,741,698	\$ 1,602,428
Contributions receivable	31,412	72,975
Prepaid expenses	-	475
	<u>1,773,110</u>	<u>1,675,878</u>
Property and equipment, net	51,093	75,409
Investments	<u>577,888</u>	<u>531,174</u>
	<u>\$ 2,402,091</u>	<u>\$ 2,282,461</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 36,159	\$ 49,565
Accrued expenses	38,347	19,759
Deferred revenue	-	8,000
	<u>74,506</u>	<u>77,324</u>
Net Assets		
Unrestricted		
Undesignated	1,561,039	1,397,997
Board designated operating reserve	577,888	531,174
Temporarily restricted	<u>188,658</u>	<u>275,966</u>
	<u>2,327,585</u>	<u>2,205,137</u>
	<u>\$ 2,402,091</u>	<u>\$ 2,282,461</u>

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

THE 15-40 CONNECTION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets		
Revenue		
Contributions and grants	\$ 526,819	\$ 344,948
Investment income	<u>46,714</u>	<u>36,939</u>
Special events		
Sponsorships and tournament revenue	998,301	1,009,467
Less		
Direct benefit to donors	<u>(312,242)</u>	<u>(303,729)</u>
	<u>686,059</u>	<u>705,738</u>
Net assets released from restriction due to		
Satisfaction of purpose restrictions	<u>147,808</u>	<u>102,829</u>
	<u>1,407,400</u>	<u>1,190,454</u>
Expenses		
Program	880,992	614,903
General and administrative	91,731	122,918
Fundraising	<u>224,921</u>	<u>274,729</u>
	<u>1,197,644</u>	<u>1,012,550</u>
Change in unrestricted net assets	<u>209,756</u>	<u>177,904</u>
Change in temporarily restricted net assets		
Revenue		
Contributions and grants	60,500	287,943
Net assets released from restriction due to		
Satisfaction of purpose restrictions	<u>(147,808)</u>	<u>(102,829)</u>
Change in temporarily restricted net assets	<u>(87,308)</u>	<u>185,114</u>
Change in net assets	122,448	363,018
Net assets, beginning of year	<u>2,205,137</u>	<u>1,842,119</u>
Net assets, end of year	<u>\$ 2,327,585</u>	<u>\$ 2,205,137</u>

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

THE 15-40 CONNECTION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Year ended December 31, 2017				
Payroll	\$ 373,270	\$ 41,052	\$ 52,562	\$ 466,884
Payroll taxes and benefits	70,699	7,776	9,955	88,430
Rent	27,982	3,078	3,940	35,000
Depreciation expense	19,440	2,138	2,738	24,316
Travel, meetings, & seminars	9,139	1,557	1,643	12,339
Insurance	5,392	593	759	6,744
Media development	85,019	-	-	85,019
Miscellaneous expense	-	-	2,886	2,886
Office operations	26,197	3,772	7,829	37,798
Professional fees	263,854	30,975	16,362	311,191
Memberships and dues	-	790	-	790
Promotional events and fundraising	-	-	126,247	126,247
	<u>\$ 880,992</u>	<u>\$ 91,731</u>	<u>\$ 224,921</u>	<u>\$ 1,197,644</u>
Year ended December 31, 2016				
Payroll	\$ 249,423	\$ 56,488	\$ 63,430	\$ 369,341
Payroll taxes and benefits	41,568	10,732	11,723	64,023
Rent	27,982	3,078	3,940	35,000
Depreciation expense	16,019	3,628	4,074	23,721
Travel, meetings, & seminars	5,288	166	138	5,592
Insurance	4,394	995	1,118	6,507
Media development	106,829	-	-	106,829
Miscellaneous expense	-	-	7,972	7,972
Office operations	26,210	8,750	6,479	41,439
Professional fees	137,190	38,291	26,568	202,049
Memberships and dues	-	790	1,650	2,440
Promotional events and fundraising	-	-	147,637	147,637
	<u>\$ 614,903</u>	<u>\$ 122,918</u>	<u>\$ 274,729</u>	<u>\$ 1,012,550</u>

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

THE 15-40 CONNECTION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 122,448	\$ 363,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,316	23,721
Net unrealized gains on investments	(35,835)	(27,927)
(Increase) decrease in operating assets:		
Contributions receivable	41,563	(43,685)
Prepaid expenses	475	(475)
Increase (decrease) in operating liabilities:		
Accounts payable	(13,406)	18,569
Accrued expenses	18,588	7,214
Deferred revenue	(8,000)	(2,500)
Total adjustments	<u>27,701</u>	<u>(25,083)</u>
Net cash provided by operating activities	<u>150,149</u>	<u>337,935</u>
Cash flows for investing activities:		
Payments for purchases of investments	<u>(10,879)</u>	<u>(9,012)</u>
Net cash used for investing activities	<u>(10,879)</u>	<u>(9,012)</u>
Net increase in cash and cash equivalents	139,270	328,923
Cash and cash equivalents, beginning of year	<u>1,602,428</u>	<u>1,273,505</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,741,698</u></u>	<u><u>\$ 1,602,428</u></u>

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

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The 15-40 Connection, Inc. (the “Organization”) is a non-profit organization located in Westborough, Massachusetts. The Organization’s mission is to save lives by teaching people how to recognize early warning signs of cancer and how to collaborate with health care professionals to help save their own lives. Early cancer detection is the most effective and most successful treatment for cancer.

Accounting estimates

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent events

The Organization has evaluated the financial statement impact of subsequent events occurring through September 18, 2018, the date that the financial statements were available to be issued.

Method of accounting

The financial statements of the Organization have been prepared on the accrual basis. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Financial statement presentation

The Organization presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted - All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments.

Cash and cash equivalents

For purposes of these financial statements, the Organization considers all money market funds with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The cash in the bank deposit accounts are maintained at a financial institution, which is also a member of the depositors insurance fund. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Such discounts were not material to the financial statements in 2017 and 2016. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Property and equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Investments

Managed investments which are not readily marketable are carried at estimated fair values using the net asset value per share of the investment, as a practical expedient, as reported by the investment managers. In accordance with FASB ASU 2015-07, the Organization is not required to categorize these investments within the fair value hierarchy. The Organization reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

The Organization transferred \$500,000 of cash to the Community Foundation of North Central MA to establish managed funds to support future program initiatives. The Organization has reserved the right to request a full distribution of the funds. The amounts transferred are considered unrestricted board designated operating reserve. The increase in fair value is recorded as an increase in unrestricted net assets.

Net investment return, including interest, dividends, gains or losses on investments, and investment management expenses, are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Deferred revenue

Deferred revenue represents program fees and other amounts received by the Organization in advance of the period for which they apply.

Contributions, gifts, grants

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated materials, services, and facilities

No amounts have been reflected in the financial statements for donated services, in as much as no objective basis is available to measure the value of such services. However, a number of volunteers have donated significant amounts of their time in the Organization's fund raising and various promotional activities.

Gifts in-kind are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization receives use of its facility without charge and is recorded at fair value. Rent was \$35,000 as of December 31, 2017 and 2016. The Organization receives donated auction items for its fundraising event. Donated auction items were \$231,066 and \$266,940 as of December 31, 2017 and 2016, respectively.

Functional expenses

The expenses incurred to provide the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Where indicated, the carrying value of such assets is reduced through a charge to expense. The adjusted carrying value represents management's estimate of the amount expected to be recovered from these assets in the future.

2 - CONTRIBUTIONS RECEIVABLE

There were no material allowances or discounts considered necessary at December 31, 2017 and 2016. Contributions receivable were \$31,412 and \$72,975 as of December 31, 2017 and 2016, respectively.

3 - INVESTMENTS

Investments are included as unrestricted net assets as a board designated operating reserve of \$577,888 and \$531,174 at December 31, 2017 and 2016, respectively. Investments, carried at fair value, are composed of managed investments of \$577,888 and \$531,174 at December 31, 2017 and 2016, respectively.

As disclosed in footnote 1 to the financial statements, the Organization, as a practical expedient, estimates the fair value of its investments in certain entities using the net asset value per share of the investment. Further information about these investments is presented below.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Managed investments (a)	\$ 577,888	\$ -	N/A	N/A
Total	<u>\$ 577,888</u>	<u>\$ -</u>		

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

(a) This managed investment seeks preservation of purchasing power, to provide a relatively stable, inflation adjusted, annual payout to support grant-making or other donor missions. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Net investment return was comprised of the following:

	<u>2017</u>	<u>2016</u>
Unrealized gains on managed investments	\$ 35,835	\$ 27,927
Interest and dividends	<u>10,879</u>	<u>9,012</u>
Net investment return	<u>\$ 46,714</u>	<u>\$ 36,939</u>

4 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

	<u>Estimated Useful Lives</u>	<u>2017</u>	<u>2016</u>
Leasehold improvements	3 years	\$ 5,000	\$ 5,000
Computers	5 years	1,419	1,419
Software	3 years	8,671	8,671
Vehicles	5 years	53,021	53,021
Furniture and equipment	3 years	23,736	23,736
Website development	5 years	<u>49,719</u>	<u>49,719</u>
		141,566	141,566
Less: Accumulated depreciation		<u>90,473</u>	<u>66,157</u>
		<u>\$ 51,093</u>	<u>\$ 75,409</u>

5 - TAX EXEMPT STATUS

The Organization is exempt from Federal income taxes as an organization formed under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required. Donors may deduct contributions made to the Organization within the Internal Revenue Code regulations. Management annually reviews for uncertain tax positions along with any related interest and penalties and believes that the Organization has no uncertain tax positions that would have a material adverse effect, individually or in the aggregate upon the Organization's statements of financial position, or the related statements of activities, or cash flows. The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2014.

6 - SPECIAL FUNDRAISING EVENTS

The Organization's main fundraising event is a golf tournament. The Organization collected all of the proceeds and performed all administrative functions related to the tournament and has reflected all of the event revenue and costs of direct benefits to donors in its statement of activities.

THE 15-40 CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - NET ASSETS

As of December 31, 2017 and 2016, net assets are temporarily restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Annual fund	\$ -	\$ 36,943
Curriculum 2.0	48,087	-
Digital media	-	20,116
Data research project	140,571	188,792
Fellowship program	-	17,788
Public relations outreach	-	12,327
	<u>\$ 188,658</u>	<u>\$ 275,966</u>

During 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Annual fund	\$ 36,943	\$ 26,244
Curriculum 2.0	4,413	-
Digital media	20,116	29,884
Director of communications	-	14,608
Data research project	56,221	12,208
Fellowship program	17,788	7,212
Public relations outreach	12,327	12,673
	<u>\$ 147,808</u>	<u>\$ 102,829</u>

8 - RELATED PARTY TRANSACTIONS

The Organization had the following balances and transactions with related parties:

	<u>2017</u>	<u>2016</u>
Contributions, founder	\$ 59,509	\$ 31,570
Contributions, immediate family	26,694	18,669
Rent expense	35,000	35,000

9 - SIMPLE IRA RETIREMENT PLAN

The Organization maintains a simple IRA retirement plan for certain qualified employees. The Organization contributes up to a maximum of 3% of the eligible employee's compensation. Contributions to the retirement plan by the Organization were \$12,025 and \$6,402 for the years ended December 31, 2017 and 2016, respectively.

10 - RECLASSIFICATIONS

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation. Such reclassifications had no effect on the change in net assets as previously reported.