

KAY YOW CANCER FOUNDATION, INC.

FINANCIAL STATEMENTS

for the year ended August 31, 2018

KAY YOW CANCER FOUNDATION, INC.

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Langdon & Company ^{LLP}

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kay Yow Cancer Foundation, Inc.

We have audited the accompanying financial statements of Kay Yow Cancer Foundation, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2018, 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 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 Kay Yow Cancer Foundation, Inc. as of August 31, 2018, 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.

223 Highway 70, East Pointe, Suite 100, Garner, NC 27529

P: 919-662-1001 | F: 919-662-1002 | www.langdoncpa.com

Other Matter

Report on Summarized Comparative Information

The 2017 financial statements of the Organization were audited by other auditors whose report dated March 9, 2018, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Langdon & Company LLP

Garner, North Carolina
December 18, 2018

KAY YOW CANCER FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2018

with comparative totals as of August 31, 2017

	ASSETS	
	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 983,704	\$ 579,072
Investments	2,137,145	2,061,289
Accounts receivable	276,286	214,044
Promises to give, net	166,208	27,500
Prepaid expenses	15,689	28,334
Inventory, net	18,072	21,784
Other receivables	3,056	770
Total current assets	<u>3,600,160</u>	<u>2,932,793</u>
Fixed assets:		
Furniture and fixtures	37,599	27,874
Computer equipment and software	6,295	5,868
Website	15,000	15,000
Leasehold improvements	10,300	-
	<u>69,194</u>	<u>48,742</u>
Less accumulated depreciation	<u>(32,030)</u>	<u>(20,444)</u>
	<u>37,164</u>	<u>28,298</u>
Other assets, deposit	<u>4,131</u>	<u>4,131</u>
Total assets	<u>\$ 3,641,455</u>	<u>\$ 2,965,222</u>
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,228	\$ 8,370
Deferred rent	6,754	4,000
Deferred revenue	9,284	7,634
Total current liabilities	<u>77,266</u>	<u>20,004</u>
Long-term liabilities, deferred rent, net	<u>5,115</u>	<u>10,869</u>
Total liabilities	<u>82,381</u>	<u>30,873</u>
Net assets:		
Unrestricted net assets	3,506,266	2,906,849
Temporarily restricted net assets	52,808	27,500
	<u>3,559,074</u>	<u>2,934,349</u>
Total liabilities and net assets	<u>\$ 3,641,455</u>	<u>\$ 2,965,222</u>

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

KAY YOW CANCER FOUNDATION, INC.

STATEMENT OF ACTIVITIES

for the year ended August 31, 2018
with comparative totals for August 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue:				
Contributions and gifts	\$ 1,486,057	\$ 52,808	\$ 1,538,865	\$ 1,070,090
Special events income	394,906	-	394,906	234,651
Sale of merchandise, net of cost of sales	55,707	-	55,707	58,665
Royalties	279,747	-	279,747	218,861
Dividends and interest income	89,817	-	89,817	67,008
Realized gains (losses) on investments	94,778	-	94,778	(5,392)
Unrealized (losses) gains on investments	(83,297)	-	(83,297)	80,491
	<u>2,317,715</u>	<u>52,808</u>	<u>2,370,523</u>	<u>1,724,374</u>
Net assets released from restrictions	<u>27,500</u>	<u>(27,500)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,345,215</u>	<u>25,308</u>	<u>2,370,523</u>	<u>1,724,374</u>
Expenses:				
Program services	1,359,860	-	1,359,860	1,186,690
Management and general	63,367	-	63,367	75,602
Resource development	322,571	-	322,571	246,715
Total expenses	<u>1,745,798</u>	<u>-</u>	<u>1,745,798</u>	<u>1,509,007</u>
Change in net assets	599,417	25,308	624,725	215,367
Net assets at beginning of year	<u>2,906,849</u>	<u>27,500</u>	<u>2,934,349</u>	<u>2,718,982</u>
Net assets at end of year	<u>\$ 3,506,266</u>	<u>\$ 52,808</u>	<u>\$ 3,559,074</u>	<u>\$ 2,934,349</u>

*The accompanying notes are an
integral part of the financial statements.*

KAY YOW CANCER FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended August 31, 2018
with comparative totals for August 31, 2017

	2018			2017	
	<u>Program Services</u>	<u>Management and General</u>	<u>Resource Development</u>	<u>Grand Total</u>	<u>Grand Total</u>
Salaries and compensation	\$ 416,340	\$ 35,113	\$ 50,162	\$ 501,615	\$ 487,733
Payroll taxes	29,629	2,499	3,569	35,697	36,002
Employee benefits	59,482	5,017	7,166	71,665	78,780
Grants	500,000	-	-	500,000	350,000
Professional fees	39,338	3,318	4,739	47,395	100,080
Special events	-	-	131,746	131,746	82,128
Marketing and promotion	101,743	6,372	17,359	125,474	72,797
Travel and meetings	43,982	1,081	35,819	80,882	71,532
Services fees	26,929	2,271	3,245	32,445	59,278
Program event expenses	47,030	31	56,014	103,075	55,572
Building, rental and maintenance	44,180	3,726	5,323	53,229	51,143
Technology and website	8,971	757	1,080	10,808	17,907
Telephone and internet	10,986	864	1,251	13,101	12,626
Office supplies and expense	6,729	422	1,898	9,049	10,721
Depreciation and amortization	10,319	870	1,243	12,432	6,931
Insurance	4,733	399	571	5,703	6,812
Postage and shipping	548	44	631	1,223	2,499
Miscellaneous	8,921	583	755	10,259	6,466
Total expenses	<u>\$ 1,359,860</u>	<u>\$ 63,367</u>	<u>\$ 322,571</u>	<u>\$ 1,745,798</u>	<u>\$ 1,509,007</u>

*The accompanying notes are an
integral part of the financial statements.*

KAY YOW CANCER FOUNDATION, INC.

STATEMENT OF CASH FLOWS

**for the year ended August 31, 2018
with comparative totals for August 31, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from contributions, gifts and special events	\$ 1,670,954	\$ 1,245,588
Cash received from royalties	217,505	315,101
Cash received from merchandise sales, net	59,419	76,964
Cash paid to suppliers and employees	(1,558,487)	(1,769,963)
Interest received	89,817	67,008
Net cash provided by (used in) operating activities	<u>479,208</u>	<u>(65,302)</u>
Cash flows from investing activities:		
Purchases of investments	(2,007,420)	(412,644)
Sales of investments	1,954,171	387,242
Purchase of fixed assets	(21,327)	(17,050)
Net cash used in investing activities	<u>(74,576)</u>	<u>(42,452)</u>
Net increase (decrease) in cash	404,632	(107,754)
Cash at beginning of year	579,072	686,826
Cash at end of year	<u>\$ 983,704</u>	<u>\$ 579,072</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 624,725	\$ 215,367
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,432	6,931
Loss on disposal of fixed assets	29	-
Realized and unrealized gains on investments	(11,481)	(75,099)
Donated securities	(11,126)	(4,967)
Changes in current assets and liabilities:		
Accounts receivable	(62,242)	96,240
Promises to give	(138,708)	(27,500)
Prepaid expenses	12,645	(4,487)
Inventory, net	3,712	18,299
Other receivables	(2,286)	(770)
Accounts payable and accrued expenses	52,858	(4,765)
Grants payable	-	(278,750)
Deferred rent	(3,000)	(4,115)
Deferred revenue	1,650	(1,686)
Net cash provided by (used in) operating activities	<u>\$ 479,208</u>	<u>\$ (65,302)</u>
Supplemental disclosure of noncash investing activities:		
Donated securities	<u>\$ 11,126</u>	<u>\$ 4,967</u>

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

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Kay Yow Cancer Foundation, Inc. (the "Foundation"), located in Raleigh North Carolina, was incorporated in Georgia on December 5, 2007, as a nonprofit corporation committed to being a part of finding an answer in the fight against cancers affecting women through raising money for scientific research, assisting the underserved, and unifying people for a common cause. The Foundation is funded primarily through contributions from individuals, organizations, and foundations nationwide. Funding also includes special events run by the Foundation, as well as by grassroots groups all over the country.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation maintains its cash accounts with financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Investments

Investments in marketable securities are stated at fair value based on readily available published values. Donated securities are recorded at fair value at the date of gift.

Accounts and Other Receivables

Accounts and other receivables are recorded at net realizable value and primarily consist of royalties from the sale of merchandise. The Foundation provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred during collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. As of August 31, 2018 and 2017, all receivables were deemed collectible by management.

Promises to Give

Unconditional promises to give are recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

The Foundation has \$50,000 of conditional promises to give receipt of which is contingent on future Play4Kay fundraising events.

Inventory

Inventory consists of clothing from the Nike Kay Yow Collection and other athletic apparel. The carrying value of inventories is based on the lower of cost or market at year-end. Cost is determined using the first-in first-out method.

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The presentation 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, the 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 estimates.

Fixed Assets

Fixed assets are recorded at cost if purchased or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. The Foundation does not imply time restrictions on gifts of long-lived assets. Fixed assets are capitalized and depreciated if the life is expected to be greater than one year and if the cost exceeds \$1,000. Assets are depreciated using a straight-line method over the estimated useful lives, which range from 3 – 7 years.

The Foundation maintains memorabilia celebrating Coach Yow, including awards, honors, special personal items, and other items commemorating her accomplishments. Memorabilia items acquired either through purchase or donation are not capitalized. Purchases of memorabilia items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor-restricted assets. Contributions of memorabilia items are not recognized in the statement of activities and changes in net assets.

Deferred Revenue

Deferred revenue consists of registration fees paid in advance for the Foundation's local golf event, held in October of each year.

Support and Revenue

Contributions, gifts and cash from special events received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, such as a stipulated time restriction ends or a 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.

Royalties and sales of merchandise are recognized when earned.

Donated Services and Materials

The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation. During the year ended August 31, 2018, the Foundation received \$89,900 in donated marketing/public service announcement services and \$24,733 of donated materials, which are reflected as contributions in the accompanying statement of activities. During the year ended August 31, 2017, the Foundation received \$25,000 of donated materials.

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Materials (Continued)

Volunteers and members of the community perform various services for the Foundation and these services are significant and form an integral part of the efforts of the Foundation. The Foundation does not control the activities of the volunteers as it would paid employees and there is no clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Foundation does not record the amount of volunteer services rendered as contributions and a corresponding amount as expense.

Royalties

Royalties represent amounts received from the sale of the Nike Kay Yow Collection items under a contractual agreement between the Foundation and Nike, Inc. As part of the agreement, the Foundation allows Nike, Inc., to use one of the Foundation's trademarked logos on merchandise. In return, awareness of the Foundation's mission is heightened, and the Foundation receives a predetermined percentage of the proceeds from the sale of the merchandise. The Foundation does not assist or participate in the sale of that merchandise. Accordingly, the royalties received are not subject to unrelated business income tax. The royalties for the years ended August 31, 2018 and 2017, were \$276,286 and \$218,791, respectively, and are included in accounts receivable on the accompanying statement of financial position.

Functional Classification of Expenses

Expenditures not directly attributable to specific programs or support services are allocated to program or supporting services by the Foundation's management based on what it considers to be the best available objective criteria, such as hours worked or relative benefit.

Grants Payable

Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the terms of the conditions are met. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

Marketing and Promotion

The Foundation expenses marketing and promotion costs as incurred. Marketing and promotion expense totaled \$125,474 and \$72,797, for the years ended August 31, 2018 and 2017, respectively. Included in the marketing and promotion costs for the year ended August 31, 2018 is \$89,900 of in-kind services.

Income Taxes

The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation's revenue from merchandise sales is considered unrelated business income. The Foundation files federal and state income tax returns and records in the financial statements the corresponding income tax payable and expense for taxes owed on the unrelated business income. No payments were made and no expenses were incurred for tax owed on the unrelated business income for the years ended August 31, 2018 and 2017.

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Foundation evaluates any uncertain tax positions. Accordingly, the Foundation's policy is to record a liability for any tax positions taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of August 31, 2018 and 2017.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

Reclassifications

Certain items included in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Change in net assets of the Foundation previously reported for 2017 were not affected by these reclassifications.

2. INVESTMENTS

The Foundation's investments at August 31, 2018 and 2017, are comprised of the following:

	2018		
	Cost	Fair Value	Unrealized Appreciation
U.S. Government Securities	\$ 227,392	\$ 223,064	\$ (4,328)
Stocks	1,197	5,590	4,393
Corporate bonds	187,803	187,174	(629)
Mutual funds	142,614	139,006	(3,608)
Exchange-traded & closed-end funds	1,570,182	1,582,311	12,129
	<u>\$ 2,129,188</u>	<u>\$ 2,137,145</u>	<u>\$ 7,957</u>

Investment income consists of the following:

Dividends and interest	\$ 89,817
Realized and unrealized gains	11,481
	<u>\$ 101,298</u>

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS (Continued)

	2017		
	Cost	Fair Value	Unrealized Appreciation
U.S. Government Securities	\$ 249,213	\$ 246,137	\$ (3,076)
Corporate debt securities	228,569	227,971	(598)
Mutual funds	1,507,738	1,587,181	79,443
	\$ 1,985,520	\$ 2,061,289	\$ 75,769

Investment income consists of the following:

Dividends and interest	\$ 67,008
Realized and unrealized gains	75,099
	\$ 142,107

Investment fees were \$12,817 and \$18,704 for the years ended August 31, 2018 and 2017, respectively, and are included in service fee expenses in the accompanying statement of functional expenses.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – valuations based on unadjusted quoted prices within active markets for identical assets and liabilities at the reporting date.

Level 2 – valuations based on inputs that are observable, either directly or indirectly, for the assets or liabilities other than quoted prices included in level 1.

Level 3 - valuations based on inputs that are unobservable and apply only when there is little or no market activity for the asset or liability.

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended August 31, 2018 and 2017.

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

Fair values for assets measured on a recurring basis are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
August 31, 2018				
U.S. Government securities	\$ 223,064	\$ 223,064	\$ -	\$ -
Corporate bonds	187,174	187,174	-	-
Exchange-traded & closed-end funds:				
Short-term bond	223,127	223,127	-	-
Intermediate-term bond	188,623	188,623	-	-
Ultrashort bond	154,986	154,986	-	-
Inflation-protected bond	52,136	52,136	-	-
Large blend	279,157	279,157	-	-
Large value	162,236	162,236	-	-
Large growth	136,954	136,954	-	-
Medium blend	58,079	58,079	-	-
Medium growth	38,085	38,085	-	-
Medium value	38,160	38,160	-	-
World bond	52,422	52,422	-	-
Small value	40,090	40,090	-	-
Small growth	42,859	42,859	-	-
Bank Loan	51,561	51,561	-	-
Commodities precious metals	31,102	31,102	-	-
Other	32,734	32,734	-	-
Total exchange-traded & closed-end funds	1,582,311	1,582,311	-	-
Common stocks:				
Footware and accessories	5,590	5,590	-	-
Mutual funds:				
Large growth	33,685	33,685	-	-
Small growth	17,937	17,937	-	-
Medium value	87,384	87,384	-	-
Total mutual funds	139,006	139,006	-	-
Total investments	\$ 2,137,145	\$ 2,137,145	\$ -	\$ -

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (Continued)

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
August 31, 2017				
U.S. Government securities	\$ 246,137	\$ -	\$ 246,137	\$ -
Corporate debt securities	227,971	-	227,971	-
Mutual funds:				
Fixed income	503,310	503,310	-	-
Large-Cap Growth	211,353	211,353	-	-
International	177,482	177,482	-	-
Large-Cap Value	163,543	163,543	-	-
Real Estate	139,799	139,799	-	-
Long-Short	135,861	135,861	-	-
Mid-Cap Growth	68,539	68,539	-	-
Mid-Cap Blend	63,521	63,521	-	-
Futures	45,456	45,456	-	-
Multialternative	32,298	32,298	-	-
Small-Cap Growth	16,588	16,588	-	-
Small-Cap Blend	16,058	16,058	-	-
Bank Loan	13,373	13,373	-	-
Total mutual funds	<u>1,587,181</u>	<u>1,587,181</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,061,289</u>	<u>\$ 1,587,181</u>	<u>\$ 474,108</u>	<u>\$ -</u>

4. MERCHANDISE SALES

Sales from merchandise are reported net of cost of goods sold. Sales for the year ended August 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Merchandise sales	\$ 111,946	\$ 137,611
Cost of goods sold	(56,239)	(78,946)
Net merchandise sales	<u>\$ 55,707</u>	<u>\$ 58,665</u>

5. SPECIAL EVENTS

The Foundation regularly holds special events with the specific objective of promoting and publicizing the charitable, educational, and research activities of the Foundation. Net proceeds from special events for the years ended August 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Special events income	\$ 394,906	\$ 234,651
Special events expense	(131,746)	(82,128)
Net special events income	<u>\$ 263,160</u>	<u>\$ 152,523</u>

KAY YOW CANCER FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

6. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Time restricted contributions	\$ 2,808	\$ 27,500
Cancer research grant - Mount Nittany Health	50,000	-
	<u>\$ 52,808</u>	<u>\$ 27,500</u>

Net assets released from donor restrictions by accomplishing purpose and/or time restrictions was \$27,500 and \$- for the years ended August 31, 2018 and 2017, respectively.

7. LEASES

In February 2013, the Foundation entered into an 84-month operating lease agreement for office space in Raleigh, North Carolina. The term of the lease commenced on May 1, 2013 and expires April 30, 2020. Monthly payments commenced in September 2013 at \$2,066 per month, and rise in increments to \$4,820 per month by the expiration of the lease. Deferred rent under the agreement totaled \$11,869 and \$14,869, for the years ended August 31, 2018 and 2017, respectively. Rent expense related to the lease totaled \$51,484 for the years ended August 31, 2018 and 2017.

Future minimum lease payments are as follows:

<u>Year ending August 31,</u>	
2019	\$ 56,916
2020	38,556
	<u>\$ 95,472</u>

8. COMMITMENTS

During the year ended August 31, 2015, the Foundation awarded a conditional grant totaling \$1,000,000 to be paid out in equal installments over a four-year period. The funds are conditional based on the Foundation raising a specified amount. The Foundation met this condition in the first three years and recognized \$250,000 in grants expense for each of these three years. The fourth and final installment was paid out during 2018.

9. RETIREMENT PLAN

The Foundation maintains a 403(b) plan for employees. Eligible employees may elect to defer a percentage of their gross salary to the plan with the Foundation matching dollar-for-dollar up to 5% of each employee's compensation. Total employer contributions for the years ended August 31, 2018 and 2017 were \$22,203 and \$26,102, respectively.

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through December 18, 2018, the date which the financial statements were available for issue.