



Teddy Bear Cancer Foundation

FINANCIAL STATEMENTS

**December 31, 2018
And For The Year Then Ended**

Teddy Bear Cancer Foundation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Teddy Bear Cancer Foundation:

We have audited the accompanying financial statements of Teddy Bear Cancer Foundation (a nonprofit organization), which comprise the statement of financial position as of December 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 Teddy Bear Cancer Foundation as of December 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.

Report on Summarized Comparative Information

We have previously audited the Teddy Bear Cancer Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stoltey & Associates

Orcutt, California

September 5, 2019

**Teddy Bear Cancer Foundation
Statement of Financial Position
December 31, 2018
(with comparative totals for 2017)**

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	633,835	814,859
Contributions receivable (Notes 2 and 3)	26,314	20,092
Prepaid expenses and other assets	<u>5,850</u>	<u>7,823</u>
Total Current Assets	665,999	842,774
Pledges receivable, noncurrent portion (Notes 2 and 3)	-	3,665
Cash designated for long term use (Notes 4 and 7)	302,168	50,203
Fixed assets, net (Note 5)	<u>4,269</u>	<u>6,289</u>
Total Assets	<u><u>972,436</u></u>	<u><u>902,931</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable & accrued expenses	24,220	60,517
Grants payable	<u>24,640</u>	<u>47,313</u>
Total Current Liabilities	<u>48,860</u>	<u>107,830</u>
Net Assets		
Without donor restriction:		
Undesignated	515,740	607,762
Board designated (Note 7)	302,168	50,203
With donor restriction (Note 6)	<u>105,668</u>	<u>137,136</u>
Total Net Assets	<u>923,576</u>	<u>795,101</u>
Total Liabilities and Net Assets	<u><u>972,436</u></u>	<u><u>902,931</u></u>

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

Teddy Bear Cancer Foundation
Statement of Activities
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues, Gains, and Other Support				
Fundraising events - gross revenue	451,908	\$ -	\$ 451,908	\$ 322,787
Direct costs	<u>(126,478)</u>	<u>-</u>	<u>(126,478)</u>	<u>(61,867)</u>
Net revenues from fundraising events	325,430	-	325,430	260,920
Contributions and grants	448,875	281,750	730,625	744,244
In-kind contributions	83,475	-	83,475	77,408
Interest income	<u>6,684</u>	<u>-</u>	<u>6,684</u>	<u>3,420</u>
Total Revenues, Gains, and Other Support	<u>864,464</u>	<u>281,750</u>	<u>1,146,214</u>	<u>1,085,992</u>
Net assets released from restrictions	<u>313,218</u>	<u>(313,218)</u>	<u>-</u>	<u>-</u>
Expenses				
Program expenses	732,066	-	732,066	786,732
Management and general	122,915	-	122,915	106,271
Fundraising	<u>162,758</u>	<u>-</u>	<u>162,758</u>	<u>158,258</u>
Total Expenses	<u>1,017,739</u>	<u>-</u>	<u>1,017,739</u>	<u>1,051,261</u>
Change in Net Assets	159,943	(31,468)	128,475	34,731
Net assets beginning of year	657,965	137,136	795,101	760,370
Net assets ending of year	<u>\$ 817,908</u>	<u>\$ 105,668</u>	<u>\$ 923,576</u>	<u>\$ 795,101</u>

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

Teddy Bear Cancer Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	<u>Program Expense</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2018 Total Expenses</u>	<u>2017 Total Expenses</u>
Salaries	\$ 251,691	\$ 53,449	\$ 91,339	\$ 396,479	\$ 380,679
Employee benefits	22,205	4,715	8,058	34,978	22,839
Payroll taxes	21,189	4,500	7,690	33,379	30,251
Total Salaries & Related Expenses	<u>295,085</u>	<u>62,664</u>	<u>107,087</u>	<u>464,836</u>	<u>433,769</u>
Direct financial assistance	176,511	-	-	176,511	263,296
In-Kind direct assistance	83,475	-	-	83,475	77,408
Community outreach	38,084	-	-	38,084	30,288
Total Program Costs	<u>298,070</u>	<u>-</u>	<u>-</u>	<u>298,070</u>	<u>370,992</u>
Accounting	-	34,296	-	34,296	29,454
Advertising	-	-	25,646	25,646	30,016
Allowance for doubtful pledges receivable	-	-	-	-	1,600
Auto and travel	2,903	616	1,053	4,572	3,190
Bank charges	-	10,086	-	10,086	4,049
Depreciation	1,525	171	325	2,021	2,462
Insurance	5,134	576	1,094	6,804	6,887
Meetings	3,777	424	805	5,006	470
Occupancy	49,564	5,560	10,558	65,682	65,354
Office supplies	3,563	398	759	4,720	3,452
Outside services	34,537	3,874	7,357	45,768	50,723
Postage and delivery	4,977	558	1,060	6,595	3,520
Printing	10,442	1,171	2,224	13,837	20,537
Technology	10,286	1,153	2,191	13,630	10,347
Telephone	5,620	630	1,197	7,447	7,870
Workshps	6,583	738	1,402	8,723	6,569
Total Operating Expenses	<u>138,911</u>	<u>60,251</u>	<u>55,671</u>	<u>254,833</u>	<u>246,500</u>
Total Expenses	<u>\$ 732,066</u>	<u>\$ 122,915</u>	<u>\$ 162,758</u>	<u>\$ 1,017,739</u>	<u>\$ 1,051,261</u>
	<u>72%</u>	<u>12%</u>	<u>16%</u>	<u>100%</u>	<u>100%</u>

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

Teddy Bear Cancer Foundation
Statement of Cash Flows
For the Year Ended December 31, 2018
(with comparative totals for 2017)

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 128,475	\$ 34,731
Adjustments to reconcile increase in net assets to cash used by operating activities:		
Depreciation	2,021	2,462
Noncash donation of real estate	-	151,398
Changes in:		
Pledges receivable	(2,557)	25,043
Prepaid and other assets	1,973	16,034
Accounts payable and accrued expenses	(36,297)	9,372
Grants payable	(22,673)	(5,803)
Net Cash From Operating Activities	70,942	233,237
Cash Flows From Investing Activities:		
Increase in cash designated for long term use	(251,965)	(123)
Net Cash From Investing Activities	(251,965)	(123)
Net change in cash and cash equivalents	(181,023)	233,114
Cash and cash equivalents at beginning of year	814,859	581,745
Cash and Cash Equivalents at End of Year	\$ 633,836	\$ 814,859
<u>Supplemental Cash Flow Information</u>		
In-kind donation of goods for program services	\$ 83,475	\$ 77,408

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

Teddy Bear Cancer Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of Teddy Bear Cancer Foundation (TBCF) is presented to assist in understanding the TBCF financial statements. The financial statements and notes are representations of TBCF management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Activities

TBCF is a nonprofit organization located in Santa Barbara, California established to ensure that children with cancer receive the undivided comfort of their parents during the treatment and recovery process.

TBCF provides middle to low-income families with financial aid for rent, mortgage, utilities, and car payments, as well as other supportive services, thereby allowing families to focus on what is truly important – their children.

The TBCF support primarily comes from contributions from individuals, foundations and corporations.

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but are not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with TBCF's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and cash in money market funds.

Contributions Receivable

TBCF initially records and subsequently carries unconditional contributions receivable at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Fixed Assets

TBCF records fixed asset additions over \$1,000 at cost, or if donated, at fair value on the date of donation. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets or leasehold

Teddy Bead Cancer Foundation

Notes to Financial Statements

improvements, the lesser of the useful life of the asset or the lease term. Management has estimated the useful lives of depreciable assets as follows:

- Leasehold improvements 5 years
- Equipment 5 years
- Other 5 years

TBCF reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Management has determined there were no indicators of asset impairment during the year ended December 31, 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions are reported as net assets without donor restriction. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restrictions

Donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

TBCF reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and Revenue Recognition

Exchange Transactions

Revenue is recognized when earned. Noncontribution event fees received in advance are deferred to the applicable period in which the related events are performed.

Teddy Bead Cancer Foundation

Notes to Financial Statements

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. TBCF records donated professional services at the respective fair values of the services received. No significant contributions of professional services were received during the year ended December 31, 2018. TBCF has reported contributions of goods totaling \$83,475 for the year ended December 31, 2018.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$25,646 during the year ended December 31, 2018.

Functional Expenses

The cost of providing TBCF programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and Effort
Employees Benefits	Time and Effort
Payroll Taxes	Time and Effort
Auto and Travel	Time and Effort
Depreciation	Square Footage
Insurance	Square Footage
Meetings	Square Footage
Occupancy	Square Footage
Office Supplies	Square Footage
Outside Services	Time and Effort
Postage and Delivery	Square Footage
Printing and Reproduction	Time and Effort
Technology	Square Footage
Workshops	Time and Effort
Telephone	Square Footage

Teddy Bead Cancer Foundation

Notes to Financial Statements

Tax Exempt Status

TBCF is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3) and qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation. TBCF is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, TBCF is subject to tax on income that is derived from business activities that are unrelated to its exempt purpose. Management has determined TBCF is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

TBCF tax filings are subject to examination by the IRS, generally for three years after they are filed. TBCF is not aware of any activities that would jeopardize its tax-exempt status.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, TBCF management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. TBCF management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include:

- Allocation of functional expenses
- Estimated useful lives of fixed assets
- Fair value of contributions receivable
- Fair value of donated goods

Reclassifications

Certain items in the 2017 financial statements were reclassified in order to conform to the 2018 presentation.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. TBCF has implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented with no material reclassifications between net asset without donor restrictions and net assets with donor restrictions.

Teddy Bead Cancer Foundation

Notes to Financial Statements

Subsequent Events

Management has evaluated subsequent events through September 5, 2019, the date that the financial statements were available to be issued.

Note 2: Contributions Receivable

All unconditional contributions receivable are estimated to be collected during the year ended December 31, 2019.

Note 3: Fair Value Measurements and Disclosures

TBCF reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that TBCF can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, TBCF develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset or liability.

Teddy Bead Cancer Foundation

Notes to Financial Statements

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using net asset value per share as a practical expedient as identified in the following, at December 31, 2018:

	Total	Level 1	Level 2	Level 3
Contributions Receivable	\$ 26,314	\$ -	\$ -	\$ 26,314

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2018:

Contributions Receivable:	
Balance at Beginning of Year	\$ 20,092
Additions	23,402
Collections	(17,180)
Balance at End of Year	\$ 26,314

Note 4: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$ 633,835
Contributions Receivable without Purpose Restriction	26,314
Total	\$ 660,149

Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$302,168 at December 31, 2018.

Note 5: Fixed Assets

Fixed Assets at December 31, 2018 are summarized by major classifications as follows:

Equipment	\$ 16,090
Leasehold improvements	4,532
Other	8,795
	\$ 29,417
Less Accumulated Depreciation	(25,148)
Fixed Assets, Net	\$ 4,269

Teddy Bead Cancer Foundation

Notes to Financial Statements

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose or periods:

Purpose Restrictions:

Direct family assistance	\$ 5,654
Education and counseling program	4,500
Gold ribbon sponsorship	1,200
	11,354

Time Restricted for Future Period:

Contributions Receivable without Donor purpose Restrictions	26,314
Contributions received with donor restrictions for use in future periods	68,000
	94,314

Total Net Assets With Donor Restrictions	\$ <u>105,668</u>
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Note 7: Board Designated Net Assets

At December 31, 2018 the Board of Directors has designated \$302,168 of net assets without donor restrictions as an operating reserve. Occasionally, the Board designates a portion of any operating surplus to its operating reserve. During the year ended December 31, 2018 the Board added \$250,000 to the operating reserve.

Note 8: Employee Benefits

TBCF maintains a defined contribution plan as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees. In 2018, the Foundation matched 100% of the participant's contributions up to a maximum of 4% of the participant's compensation. TBCF's contributions vest on the third year of service. TBCF's contributions during the year ended December 31, 2018 were approximately \$10,156. TBCF pays all administrative costs of the plan.

Note 11: Commitments

TBCF leases its administrative offices at 3892 State Street, Suite 220, Santa Barbara California. The lease commenced on May 1, 2016 and will expire on April 30, 2021. The lease requires a monthly payment of \$4,728. The monthly payment is subject to an annual increase of 2.5%. In addition, TBCF is responsible for common area operating expenses.

The following is a schedule of future minimum lease payments required under the above operating lease as of December 31, 2018:

2019	\$ 57,680
2020	59,120
2021	19,868
Total	\$ 136,668

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Notes to Financial Statements

Rent expense for the year ended December 31, 2018 was \$63,837.

Note 11: Concentrations

TBCF manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, TBCF has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates.

TBCF maintains bank accounts at four financial institutions. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 TBCF held \$546,090 of cash deposits in excess of FDIC insurance limits.

Individual donors are primarily from Santa Barbara and Ventura County, as are the client of TBCF.