

**LULU & LEO FUND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



**LUTZ AND GARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Lulu & Leo Fund

We have audited the accompanying financial statements of Lulu & Leo Fund (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and 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.

### **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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Lulu & Leo Fund as of June 30, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 10 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Lulu & Leo Fund has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

*Lotz + Carr, LLP*

New York, New York  
January 25, 2021

**LULU & LEO FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 4a)	\$1,032,268	\$1,101,245
Contributions receivable (Notes 1c and 5)		
Without donor restrictions	64,611	81,480
With donor restrictions	10,000	25,000
Accounts receivable	38,320	15,216
Prepaid expenses and other assets	3,144	4,872
Equipment and website, at cost, net of accumulated depreciation (Notes 1d and 6)	<u>11,435</u>	<u>9,087</u>
<b>Total Assets</b>	<u><u>\$1,159,778</u></u>	<u><u>\$1,236,900</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Loan payable (Note 7)	\$ 45,210	\$ -
Accounts payable and accrued expenses	12,273	34,066
Deferred revenue (Note 1e)	<u>2,500</u>	<u>-</u>
Total Liabilities	<u>59,983</u>	<u>34,066</u>
Commitment and Contingency (Notes 8 and 10)		
Net Assets		
Without donor restrictions		
Board designated reserve (Note 3a)	250,213	-
Other	834,582	1,172,834
With donor restrictions (Note 3b)	<u>15,000</u>	<u>30,000</u>
Total Net Assets	<u>1,099,795</u>	<u>1,202,834</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$1,159,778</u></u>	<u><u>\$1,236,900</u></u>

See notes to financial statements.

**LULU & LEO FUND**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Change in Net Assets Without Donor Restrictions</b>		
Support and Revenue		
Contributions (Notes 1c and 4b)	\$ 292,246	\$ 225,336
Fundraising event	-	488,713
Less: Direct costs benefiting donors	-	(79,634)
Online auction income (Note 9)	1,300	80,480
Less: Online auction coordinator commission (Note 9)	(286)	(17,706)
Workshop income	45,130	29,126
Miscellaneous income	684	2,543
	<u>339,074</u>	<u>728,858</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>25,000</u>	<u>10,000</u>
Total Support and Revenue	<u>364,074</u>	<u>738,858</u>
Expenses		
Program Services	303,115	294,770
Supporting Services		
Management and general	80,433	70,781
Fundraising	<u>68,565</u>	<u>117,930</u>
Total Expenses	<u>452,113</u>	<u>483,481</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>(88,039)</u>	<u>255,377</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions (Note 4b)	10,000	30,000
Net assets released from restrictions	<u>(25,000)</u>	<u>(10,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(15,000)</u>	<u>20,000</u>
Increase (decrease) in net assets	(103,039)	275,377
Net assets, beginning of year	<u>1,202,834</u>	<u>927,457</u>
<b>Net Assets, End of Year</b>	<u><u>\$1,099,795</u></u>	<u><u>\$1,202,834</u></u>

See notes to financial statements.

## LULU &amp; LEO FUND

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Program Services	Supporting Services			2020	2019
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries and payroll taxes	\$218,943	\$ 32,814	\$ 39,456	\$ 72,270	\$291,213	\$251,863
Grant expense	-	-	-	-	-	50,000
Professional and consulting fees	14,595	26,338	19,783	46,121	60,716	82,087
Creative coach fees	20,960	-	-	-	20,960	13,385
Evaluations and site visits	2,560	-	-	-	2,560	4,546
Rent	10,026	13,365	-	13,365	23,391	22,040
Program supplies	5,454	-	-	-	5,454	3,269
Office expenses	1,037	400	473	873	1,910	2,255
Printing and marketing	4,182	-	2,474	2,474	6,656	14,510
Program development and implementation	14,885	-	-	-	14,885	12,000
Technology	2,076	2,421	3,598	6,019	8,095	4,836
Insurance	407	1,007	-	1,007	1,414	1,345
Travel	3,559	86	15	101	3,660	6,052
Credit card processing fees	-	2,104	1,544	3,648	3,648	7,267
Miscellaneous	1,573	1,470	706	2,176	3,749	4,524
Depreciation expense	2,858	428	516	944	3,802	3,502
Total Expenses, 2020	<u>\$303,115</u>	<u>\$ 80,433</u>	<u>\$ 68,565</u>	<u>\$148,998</u>	<u>\$452,113</u>	
Total Expenses, 2019	<u>\$294,770</u>	<u>\$ 70,781</u>	<u>\$ 117,930</u>	<u>\$188,711</u>		<u>\$483,481</u>

See notes to financial statements.

## LULU &amp; LEO FUND

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries and payroll taxes	\$171,767	\$ 33,728	\$ 46,368	\$ 80,096	\$251,863
Grant expense	50,000	-	-	-	50,000
Professional and consulting fees	5,595	28,536	47,956	76,492	82,087
Creative coach fees	13,385	-	-	-	13,385
Evaluations and site visits	4,546	-	-	-	4,546
Rent	14,205	2,795	5,040	7,835	22,040
Program supplies	3,269	-	-	-	3,269
Office expenses	1,162	115	978	1,093	2,255
Printing and marketing	9,975	33	4,502	4,535	14,510
Program development and implementation	12,000	-	-	-	12,000
Technology	1,174	1,476	2,186	3,662	4,836
Insurance	299	1,046	-	1,046	1,345
Travel	4,955	298	799	1,097	6,052
Credit card processing fees	-	-	7,267	7,267	7,267
Miscellaneous	50	2,285	2,189	4,474	4,524
Depreciation expense	2,388	469	645	1,114	3,502
Total Expenses	<u>\$294,770</u>	<u>\$ 70,781</u>	<u>\$ 117,930</u>	<u>\$188,711</u>	<u>\$483,481</u>

See notes to financial statements.

**LULU & LEO FUND**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (103,039)	\$ 275,377
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,802	3,502
(Increase) decrease in:		
Contributions receivable	31,869	(6,273)
Accounts receivable	(23,104)	(15,216)
Prepaid expenses and other assets	1,728	(1,272)
Increase (decrease) in:		
Accounts payable and accrued expenses	(21,793)	15,814
Deferred revenue	2,500	(4,400)
Net Cash Provided (Used) By Operating Activities	<u>(108,037)</u>	<u>267,532</u>
 <b>Cash Flows From Investing Activities</b>		
Purchase of equipment	(6,150)	-
 <b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	<u>45,210</u>	<u>-</u>
Net increase (decrease) in cash	(68,977)	267,532
Cash and cash equivalents, beginning of year	<u>1,101,245</u>	<u>833,713</u>
 <b>Cash and Cash Equivalents, End of Year</b>	 <u><u>\$1,032,268</u></u>	 <u><u>\$1,101,245</u></u>

See notes to financial statements.



**LULU & LEO FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

The Lulu & Leo Fund (the "Fund") was established in memory of Lucia (Lulu) and Leo Krim in October 2012. The Fund's mission is to help educators, children, families and communities develop creative confidence and resilience through its flagship Choose Creativity Initiative and the 10 Principles of Creativity.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers all highly liquid debt instruments, purchased with an initial maturity of three months or less, including money market funds, to be cash equivalents.

c - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Fund, that is, in substance, unconditional. Conditional promises to give, that have a measurable performance or other barrier and a right of return are not recognized until they become unconditional that is, at the time when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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.

The Fund uses the allowance method to determine the existence of uncollectible contributions receivable. Any allowance is based on prior experience and management's analysis of specific promises made.

d - Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful life of the asset.

e - Revenue Recognition

Revenue from workshops is recognized as income when the workshop takes place.

f - Financial Statement Presentation

The financial statements of the Fund has been prepared in accordance with U.S. generally accepted accounting principles, which require the Fund to report information regarding its financial position and activities according to the following net asset classifications:

**LULU & LEO FUND****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**f - Financial Statement Presentation (continued)Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, those restrictions will be met by actions of the Fund or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

g - Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are applied directly to programs, where applicable, or allocated on a reasonable and consistent basis. A substantial portion of the Fund's expenses are directly related to program activities. The expenses that are allocated include salaries and payroll taxes, depreciation, occupancy and office expenses which are allocated on the basis of an estimate of time and effort.

h - Tax Status

The Fund is recognized as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

i - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Subsequent Events

The Fund has evaluated subsequent events through January 25, 2021, the date that the financial statements are considered available to be issued.

**LULU & LEO FUND****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - New Accounting Pronouncements**

In 2020, the Fund adopted Accounting Standards Update ("ASU") NO. 2014-19 Revenue from Contracts with Customers (Topic 606) and No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605). Analysis of the various provisions of these standards resulted in no significant changes in the way the Fund recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than 12 months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Fund is currently evaluating the impact of ASU 2016-02 on its financial statements.

**Note 2 - Information Regarding Liquidity and Availability**

The Fund operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year. The Fund considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those activities.

The Fund regularly monitors liquidity to meet its operating needs and other commitments and obligations.

**LULU & LEO FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Fund's financial assets as of June 30, 2020 available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$1,032,268	\$1,101,245
Contributions receivable	74,611	106,480
Accounts receivable	<u>38,320</u>	<u>15,216</u>
Total Financial Assets	1,145,199	1,222,941
Less: Net assets without donor restrictions - Board Designated Funds	<u>(250,213)</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 894,986</u>	<u>\$1,222,941</u>

In addition to these financial assets available within one year, the Fund maintains additional board designated reserves of \$250,213, which could be made available to meet cash needs for the general expenditures at the discretion of the Board.

**Note 3 - Net Assets**

a - Net Assets Without Donor Restrictions - Board Designated Funds

During 2020, the Fund established a board designated reserve totaling \$250,000. The fund is to be used for projects and purposes to be determined and authorized by the Board of Directors. During 2020, interest income of \$213 was added to the reserve

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future programs and periods.

**Note 4 - Concentration**

a - The Fund maintains its cash accounts in two financial institutions in New York. The accounts are insured by the Federal Deposit Insurance Corporation and, at times, the balance may exceed insured limits.

**LULU & LEO FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 4 - Concentration**

b - During the year ended June 30, 2020, the Fund received 17% of its total contributions from one corporation.

**Note 5 - Contributions Receivable**

Contributions receivable are due within one year. Uncollectible amounts are expected to be insignificant.

**Note 6 - Equipment and Website**

Equipment and website consists of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Computers	3 years	\$ 3,906	\$ 3,006
Website	5 years	12,500	12,500
Website in progress	-	<u>5,250</u>	<u>-</u>
		21,656	15,506
Less: Accumulated depreciation		<u>(10,221)</u>	<u>(6,419)</u>
		<u>\$11,435</u>	<u>\$ 9,087</u>

**Note 7 - Loan Payable**

In April 2020, the Fund received a \$45,210 Paycheck Protection Program loan having an interest rate of 1% and a maturity of 2 years. The loan and any accrued interest can be forgiven in its entirety if the loan proceeds are applied towards applicable payroll and occupancy costs, as defined by the Coronavirus Aid, Relief and Economic Security Act. The Fund expects the entire loan and all accrued interest will be forgiven.

**LULU & LEO FUND**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**Note 8 - Lease Commitment**

On July 15, 2019, the Fund entered into an amended lease agreement for office space through July 15, 2021, at a rate of \$2,100 per month. The lease was then paid on a month to month basis. Pursuant to the start of the pandemic, the Fund successfully negotiated a lower monthly rent and for the final three months of the fiscal year (April, May, June) paid \$1,100 per month.

**Note 9 - Online Auction Sales**

The Fund held online auctions during the years ended June 30, 2020 and 2019. All of the items auctioned were donated to the Fund. The Fund used an online auction site and paid a commission of 20% of the aggregate sale price of all lots.

**Note 10 - Contingency**

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Fund suspended its benefit event at the direction of state and local governmental authorities, as well as its in-person programming. Management is continuing its programs as is possible and continues to assess and evaluate the impact that the pandemic and resulting economic uncertainties may have on its operations and programs.