PEDIATRIC CANCER RESEARCH FOUNDATION
A NONPROFIT ORGANIZATION

FINANCIAL STATEMENTS

December 31, 2018
With Comparative Totals for 2017

WINDES
AUDIT | TAX | ADVISORY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pediatric Cancer Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Pediatric Cancer Research Foundation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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 controls 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 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 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 auditors consider 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 Pediatric Cancer Research 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.

Emphasis of Matter

As discussed in Note 1, during the year ended December 31, 2018, Pediatric Cancer Research Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of Pediatric Cancer Research Foundation as of and for the year ended December 31, 2017, were audited by other auditors whose report dated March 23, 2018 expressed an unmodified opinion on those financial statements. The summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects with the 2017 audited financial statements from which it has been derived.

Windes, Inc.

Irvine, California
June 27, 2019

PEDIATRIC CANCER RESEARCH FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 1,463,009	$ 1,971,002
Investments	750,000	797,462
Contributions receivable	523,678	53,390
Other assets	57,061	100,930
Property and equipment, net	70,804	68,938
TOTAL ASSETS	$ 2,864,552	$ 2,991,722

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 119,012	$ 151,056
Grants payable	364,381	386,115
Deferred revenue	31,228	39,219
TOTAL LIABILITIES	514,621	576,390
COMMITMENTS AND CONTINGENCIES (Note 5)		
NET ASSETS WITHOUT DONOR RESTRICTIONS	2,349,931	2,415,332
TOTAL LIABILITIES AND NET ASSETS	$ 2,864,552	$ 2,991,722

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

PEDIATRIC CANCER RESEARCH FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	For the Year Ended December 31,	
	2018	**2017**
Revenues:		
General public support	$ 1,719,912	$ 1,703,553
Special events, net of direct costs of $1,244,628 in 2018 and $1,203,712 in 2017	1,029,306	1,209,044
International symposium	277,341	-
Total revenue and support	3,026,559	2,912,597
Expenses:		
Program services:		
Pediatric cancer research	2,421,019	1,845,150
Support services:		
Management and general	201,534	201,610
Fundraising	469,407	438,799
Total expenses	3,091,960	2,485,559
Change in net assets	(65,401)	427,038
Net assets without donor restrictions, beginning of year	2,415,332	1,988,294
Net assets without donor restrictions, end of year	$ 2,349,931	$ 2,415,332

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

PEDIATRIC CANCER RESEARCH FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program Services	Support Services			
	Pediatric Cancer Research	Management and General	Fundraising	2018 Total	2017 Total
Grants for pediatric cancer research	$ 1,992,289	$ -	$ -	$ 1,992,289	$ 1,590,071
Other program services and support	269,591	-	-	269,591	63,324
Salaries and related costs	141,267	78,287	169,394	388,948	397,188
Postage, printing, and supplies	-	12,355	28,059	40,414	42,560
Rent and utilities	-	27,471	27,471	54,942	55,372
Professional services	12,050	32,551	57,769	102,370	69,664
Public relations and marketing	-	-	102,207	102,207	112,694
Miscellaneous	5,489	37,447	44,239	87,175	101,164
Total expenses before depreciation	2,420,686	188,111	429,139	3,037,936	2,432,037
Depreciation	333	13,423	40,268	54,024	53,522
Total expenses	$ 2,421,019	$ 201,534	$ 469,407	$ 3,091,960	$ 2,485,559

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

PEDIATRIC CANCER RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (65,401)	$ 427,038
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	54,024	53,522
Changes in assets and liabilities:		
Contributions receivable	(470,288)	44,312
Other assets	43,869	(67,871)
Accounts payable and accrued expenses	(32,044)	(82,181)
Grants payable	(21,734)	98,795
Deferred revenue	(7,991)	18,466
Net Cash Provided By (Used In) Operating Activities	(499,565)	492,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturity of investments	547,462	743,879
Purchases of investments	(500,000)	(797,462)
Purchases of property and equipment	(55,890)	(15,053)
Net Cash Used In Investing Activities	(8,428)	(68,636)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(507,993)	423,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,971,002	1,547,557
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,463,009	$ 1,971,002

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

NOTE 1 – Summary of Significant Accounting Policies

Organization and Business Activity of the Reporting Entity

Pediatric Cancer Research Foundation (the Foundation) is a nonprofit public benefit corporation incorporated on December 2, 1982 under the laws of the State of California. The Foundation is headquartered in Irvine, California. The Foundation is primarily engaged in fundraising activities and awarding grants to organizations for the purpose of funding pediatric cancer research.

Recently Adopted Accounting Standards

In 2018, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities* and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Foundation updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

Basis of Presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation has no net assets with donor restrictions as of December 31, 2018 and 2017.

> **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions.
>
> **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. As restrictions are satisfied, 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. When donor restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Foundation reports both the revenue and the related expense in the net assets without donor restrictions category. Net assets with donor restrictions also includes net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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 those estimates.

Prior-Period Comparative Information

The financial statements include certain prior-period 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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Foundation includes in cash all cash accounts, certificates of deposit, money market accounts, and all highly liquid investments with original maturities of three months or less.

Investments

The Foundation’s investments are substantially comprised of certificates of deposit set to mature in 2019. Certificates of deposit with original maturities of less than 90 days are included with cash and cash equivalents. Certificates of deposit with original maturities of greater than 90 days are included in investments. Certificates of deposit are recorded at cost, which approximates fair value.

Contributions Receivable

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the collectability of the receivables. It is the Foundation’s policy to write off uncollectible receivables when management determines the receivable will not be collected. There were no write-offs of receivables in 2018 and 2017. At December 31, 2018 and 2017, management considers receivables fully collectible.

Other Assets

Certain payments to vendors reflect costs or deposits applicable to future accounting periods, are recorded as prepaid items, and are included in other assets in the statement of financial position.

Property and Equipment

Property and equipment are stated at cost if purchased and fair value if donated, and depreciated using the straight-line method over the estimated useful lives (3-5 years) of the assets. Expenditures for repairs and maintenance are charges to supporting services when incurred; renewals and betterments are capitalized. Upon sale or disposal of property and equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the statement of activities and changes in net assets.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Foundation’s long-lived assets include property and equipment. In accordance with generally accepted accounting principles, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2018 and 2017, management did not identify any material impairment of the Foundation’s long-lived assets.

Grants Payable

Grants payable consists of amounts awarded but not paid as of December 31, 2018 and 2017.

Due to grant agreements requiring certain concessions, budgets, and forecasts from the grantees, grants are considered to have been awarded at the time the Foundation and the grantee have executed the grant agreement.

Deferred Revenue

Deferred revenue represents funds received in advance of special events to be held in the subsequent year.

Revenue Recognition

Contributions are recognized as revenue when the Foundation receives an unconditional “promise to pay” from the donor.

All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as additions to net assets with donor restrictions. When a restriction has been satisfied, the related 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 restriction.

Revenues from special events are recognized when the activities are held.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Donated Services and Materials

The Foundation receives a substantial amount of services donated by individuals interested in the Foundation's objectives. Services provided generally involve the contribution of time to organize and administer fundraising campaigns and to provide necessary services. The value of such volunteers' services has not been reflected in the accompanying financial statements since it does not meet the criteria for revenue recognition.

Donated materials and assets are recorded at their fair value at the date of the gift. Donated materials and assets related to special events aggregated $491,682 and $476,794 for the years ended December 31, 2018 and 2017, respectively, and are included with special events in the statements of activities and changes in net assets.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated by management. Pediatric Cancer Research Foundation uses allocation methodologies including square footage, time studies, and percentage-of-use estimates to allocate indirect costs.

Income Taxes

The Foundation qualifies as a tax-exempt Foundation under Section 501(c)(3) of the Internal Revenue Code and under the corresponding tax codes of California. The Foundation is also registered in the states of Massachusetts, Connecticut, Vermont, Washington, New York, New Jersey, and Illinois.

FASB ASC Topic 740, Income Taxes, requires management to evaluate the tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2018, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by the taxing jurisdictions. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* ("ASU 2014-09"), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842) (ASU 2016-02)."* The guidance in this ASU supersedes the leasing guidance in "*Leases (Topic 840).*" Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

In 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reclassifications

Certain prior-period reported amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on reported changes in net assets.

Subsequent Events

Management has evaluated the impact of any subsequent events through June 27, 2019, the date on which the accompanying financial statements were available to be issued.

NOTE 2 – Liquidity and Availability of Resources

As of December 31, 2018, financial assets available within one year for general operations consist of:

Cash and cash equivalents	$ 1,463,009
Investments	750,000
Contributions receivable	523,678
Other assets	52,684
Financial assets available for use within one year	$ 2,789,371

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – Property and Equipment

Property and equipment are comprised of the following at December 31:

	2018	2017
Equipment	$ 12,566	$ 12,566
Computer software	58,890	213,460
Vehicles	16,785	16,785
Leasehold improvements	3,064	3,064
Total property and equipment	91,305	245,875
Less accumulated depreciation	(20,501)	(176,937)
Total property and equipment, net	$ 70,804	$ 68,938

For the years ended December 31, 2018 and 2017, the Foundation recorded depreciation expense of $54,024 and $53,522, respectively.

NOTE 4 – Concentrations

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to $250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Foundation is exposed to any significant related credit risk.

NOTE 5 – Commitments and Contingencies

The Foundation leases its facility under a lease agreement dated April 20, 2017. The minimum monthly base rent as of December 31, 2018 is $3,722. The lease agreement provides for annual increases based on predetermined amounts. In addition to the base rent, the Foundation pays common area maintenance charges, which are included in rent expense. Rent expense for the years ended December 31, 2018 and 2017, was $47,040 and $51,539, respectively. The future minimum payments under the lease are as follows for the years ended:

Year Ending December 31,	
2019	$ 45,229
2020	46,585
2021	47,941
2022	28,427
	$ 168,182

NOTE 6 – Employee Benefit Plan

The Foundation adopted a SIMPLE IRA retirement program. The Foundation expects to make matching contributions of 1% to 3%, with a mandatory matching contribution of 3% to be made in one year of every three-year period. The Foundation made $7,710 and $7,458 in matching contributions under the SIMPLE IRA retirement program during the years ended December 31, 2018 and 2017, respectively.