PEDIATRIC CANCER RESEARCH FOUNDATION

Combined Financial Statements
For the Years Ended
December 31, 2013 and 2012
and
Independent Auditor's Report

PEDIATRIC CANCER RESEARCH FOUNDATION

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HBLA
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Independent Auditor's Report

To the Board of Directors of
Pediatric Cancer Research Foundation
Irvine, California

We have audited the accompanying combined financial statements of Pediatric Cancer Research Foundation (a nonprofit organization) and the Pediatric Cancer Research Foundation New York, a Not-for-Profit Corporation (collectively "the Foundation"), which comprise the combined statements of financial position as of December 31, 2013 and 2012, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 audits 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 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013 and 2012, 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.

HBLA Certified Public Accountants, Inc.
June 25, 2014

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PEDIATRIC CANCER RESEARCH FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 1,283,487	$ 1,142,323
Receivables	134,424	60,095
Inventories	-	45,827
Prepaid expenses	22,025	52,882
TOTAL CURRENT ASSETS	1,439,936	1,301,127
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	5,828	11,239
OTHER ASSETS		
Deposits	2,707	3,012
TOTAL ASSETS	$ 1,448,471	$ 1,315,378

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 118,271	$ 34,304
Grants payable	383,278	301,905
Sales tax payable	2,315	2,216
Deferred revenue	16,389	19,932
TOTAL CURRENT LIABILITIES	520,253	358,357
NET ASSETS		
Unrestricted net assets	436,715	499,269
Board designated net assets	491,503	457,752
TOTAL NET ASSETS	928,218	957,021
TOTAL LIABILITIES AND NET ASSETS	$ 1,448,471	$ 1,315,378

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

PEDIATRIC CANCER RESEARCH FOUNDATION

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUE AND OTHER SUPPORT		
General public support	$ 698,807	$ 674,286
Special events, net of direct donor benefit costs of $1,260,300 in 2013 and $1,147,678 in 2012	1,261,540	982,910
Holiday card program, net of direct costs of $55,197 in 2012	-	(37,057)
International symposium	-	281,161
Other income (loss)	23	(375)
TOTAL REVENUE AND SUPPORT	1,960,370	1,900,925
EXPENSES		
Program services:		
Pediatric cancer research	1,639,063	1,263,492
International symposium	-	281,170
Supporting services:		
Management and general	123,035	179,040
Fundraising	181,248	186,415
TOTAL EXPENSES	1,943,346	1,910,117
Loss from inventory adjustment related to discontinued Holiday Card Program	45,827	80,027
TOTAL EXPENSES AND LOSSES	1,989,173	1,990,144
DECREASE IN NET ASSETS	(28,803)	(89,219)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	957,021	1,046,240
UNRESTRICTED NET ASSETS AT END OF YEAR	$ 928,218	$ 957,021

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

PEDIATRIC CANCER RESEARCH FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services		Supporting Services		
	Pediatric Cancer Research	International Symposium	Management and General	Fundraising	Total
Grants for pediatric cancer research	$ 1,403,903	$ -	$ -	$ -	$ 1,403,903
Other program services and support	30,938	-	-	-	30,938
Salaries and related costs	150,036	-	58,318	58,318	266,672
Postage and supplies	6,390	-	3,514	3,514	13,418
Rent and utilities	23,327	-	18,393	21,758	63,478
Professional services	20,110	-	26,326	1,136	47,572
Printing	-	-	847	15,432	16,279
Public relations	-	-	-	53,361	53,361
Miscellaneous	4,359	-	10,226	27,729	42,314
Total expenses before depreciation	1,639,063	-	117,624	181,248	1,937,935
Depreciation	-	-	5,411	-	5,411
TOTAL EXPENSES	$ 1,639,063	$ -	$ 123,035	$ 181,248	$ 1,943,346

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

PEDIATRIC CANCER RESEARCH FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services		Supporting Services		
	Pediatric Cancer Research	International Symposium	Management and General	Fundraising	Total
Grants for pediatric cancer research	$ 1,169,814	$ -	$ -	$ -	$ 1,169,814
Other program services and support	47,078	281,170	-	-	328,248
Salaries and related costs	31,269	-	96,830	96,831	224,930
Postage and supplies	1,231	-	2,804	8,778	12,813
Rent and utilities	6,202	-	18,405	18,406	43,013
Professional services	4,415	-	30,280	-	34,695
Printing	3,483	-	299	14,015	17,797
Public relations	-	-	-	29,648	29,648
Miscellaneous	-	-	18,738	18,737	37,475
Total expenses before depreciation	1,263,492	281,170	167,356	186,415	1,898,433
Depreciation	-	-	11,684	-	11,684
TOTAL EXPENSES	$ 1,263,492	$ 281,170	$ 179,040	$ 186,415	$ 1,910,117

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

PEDIATRIC CANCER RESEARCH FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (28,803)	$ (89,219)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	5,411	11,684
Realized loss on disposal of assets	-	146
(Increase) decrease in operating assets:		
Receivables	(74,329)	(12,576)
Inventories	45,827	91,224
Prepaid expenses	30,857	67,335
Deposits and other	305	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	83,967	(26,701)
Grants payable	81,373	3,763
Sales tax payable	99	(4,050)
Deferred revenue	(3,543)	(22,833)
Total adjustments	169,967	107,992
NET CASH PROVIDED BY OPERATING ACTIVITIES	141,164	18,773
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,142,323	1,123,550
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,283,487	$ 1,142,323

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

PEDIATRIC CANCER RESEARCH FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization

Pediatric Cancer Research Foundation (PCRF) and the Pediatric Cancer Research Foundation New York, a Not-for-Profit Corporation (PCRFNY), related entities under common control, (collectively "the Foundation") are nonprofit public benefit corporations incorporated on December 2, 1982 under the laws of the State of California and on August 23, 2010 under the laws of the State of New York, respectively. During 2011, PCRFNY became inactive, and thus, all subsequent activities are conducted by PCRF. The Foundation is headquartered in Irvine, CA. The Foundation is primarily engaged in fundraising activities and awarding grants to organizations for the purpose of funding pediatric cancer research (Note D).

Basis of Presentation

The accompanying combined financial statements include the accounts of the Foundation. All significant intercompany transactions and balances included in the combined financial statements have been eliminated.

Contributions

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

All contributions are considered to be available for unrestricted use unless specifically 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 temporarily restricted or permanently restricted net assets. When a temporary restriction has been satisfied, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. There were no temporarily or permanently restricted net assets at December 31, 2013 and 2012.

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 unrestricted net asset category.

Reclassification

Certain reclassifications have been made to the December 31, 2012 financial statement presentation to correspond to the current year's format. Decrease in net assets and net assets are unchanged due to these reclassifications.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Holiday Card Program

The Holiday Card Program was discontinued in 2013. Inventories, consisting primarily of unsold holiday cards, were reported at the lower of cost (first in, first out) or market. During 2012, the Foundation reduced inventory by $80,027 to the lower of cost or market. During 2013, the Foundation wrote off the remaining balance of inventory in the amount of $45,827. The expense is included in inventory adjustment related to discontinued Holiday Card Program in the combined statement of activities and changes in net assets in 2012 and 2013.

Revenue Recognition

Holiday cards were sold in various grocery stores and other outlets in the Southern California area. Revenue on the holiday cards was recognized as the cards were sold by the stores and outlets.

Revenues from the special events and the international symposium are recognized when the activities are held.

Accounts Receivable

Accounts receivable are recorded at the amount the Foundation expects to collect on balances outstanding at year end. The Foundation uses the allowance method to account for uncollectible accounts receivable. The allowance is based on management's periodic review of accounts receivable and collection experience. No allowance for doubtful accounts was provided for at December 31, 2013 and 2012, as management considers all amounts to be fully collectible. At December 31, 2013 and 2012, accounts receivable consisted of contributions to the Foundation. At December 31, 2013, two contributors accounted for approximately 76% of the accounts receivable balance.

Income Taxes

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

The Foundation's federal income tax and informational returns for the years ended December 31, 2010, and subsequent, remain open for examination by the Internal Revenue Service. The returns for California and New York remain open for examination by those states' tax authorities for the years ended December 31, 2009, and subsequent.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation includes in cash and cash equivalents all cash accounts, none of which are subject to withdrawal restrictions or penalties, and all certificates of deposit purchased with an original maturity of three months or less.

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 market value at the date of the gift. Donated materials and assets related to special events aggregated $263,230 and $194,362 for the years ended December 31, 2013 and 2012, respectively, and are included with special events in the statements of activities and changes in net assets.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue

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

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 charged to supporting services when incurred; renewals and betterments are capitalized. Upon sale or other 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 A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

The preparation of the 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 and 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 those estimates.

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, 2013 and 2012, the Foundation did not identify any material impairment of its long-lived assets.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2013	2012
Equipment	$ 9,263	$ 9,413
Computer software	62,910	62,910
Vehicles	8,000	8,000
Total property and equipment	80,173	80,323
Less accumulated depreciation	(74,345)	(69,084)
Net book value	$ 5,828	$ 11,239

NOTE C - CASH DEPOSITS IN EXCESS OF INSURED LIMITS

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 D – GRANTS

Grants payable consist of amounts awarded but not paid as of December 31, 2013 and 2012. The Foundation awarded total grants of $1,403,903 and $1,169,814 and disbursed a total of $1,322,530 and $1,166,051 during the years ended December 31, 2013 and 2012, respectively.

NOTE E - COMMITMENTS

The Foundation leases its facility under a lease agreement originally dated July 8, 2005, and amended in June 2014. The minimum monthly base rent as of December 31, 2013 is $2,937. 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. Additionally, the Foundation paid rent for two month-to-month storage facilities at a total cost of $440 per month. The storage facility leases were terminated in August 2013.

Rent expense for the years ended December 31, 2013 and 2012 was $52,638 and $51,475, respectively. The Foundation allocated $32,169 to the holiday card program and special events for the year ended December 31, 2012.

The lease is set to expire on July 31, 2017. The future minimum payments under the lease are as follows:

2014	$ 34,399
2015	34,061
2016	36,089
2017	21,742
	$ 126,291

NOTE F – EMPLOYEE BENEFIT PLAN

In 1999 the Foundation adopted a 401(k) profit sharing plan for all its eligible employees. The Foundation's contributions are discretionary and determined semi-annually. There were no Foundation contributions credited or expenses charged to the plan for the years ended December 31, 2013 and 2012 (See Note H).

NOTE G – BOARD DESIGNATIONS

As of December 31, 2013 and 2012, the Board of Directors has designated $491,503 and $457,752, respectively, of unrestricted funds for the Pediatric Cancer Research Foundation Laboratory.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2014, the date the financial statements were available to be issued.

During 2014, the Foundation terminated its 401(k) profit sharing plan and replaced it with a SIMPLE IRA retirement program. The Foundation expects to make matching contributions between 1% and 3%, with a mandatory matching contribution of 3% to be made in one year of every three year period. As of June 25, 2014, no matching contribution has been made under the new retirement program.