

PEDIATRIC CANCER RESEARCH FOUNDATION  
AND AFFILIATE

Combined Financial Statements  
For the Years Ended  
December 31, 2014 and 2013  
and  
Independent Auditor's Report

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

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Independent Auditor's Report

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

We have audited the accompanying combined financial statements of Pediatric Cancer Research Foundation (a nonprofit organization) and 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, 2014 and 2013, 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, 2014 and 2013, 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.*

May 20, 2015

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 876,763	\$ 1,283,487
Contributions receivable	267,374	134,424
Prepaid expenses	<u>54,469</u>	<u>22,025</u>
TOTAL CURRENT ASSETS	1,198,606	1,439,936
PROPERTY AND EQUIPMENT, NET	2,555	5,828
OTHER ASSETS		
Deposits	<u>2,556</u>	<u>2,707</u>
TOTAL ASSETS	<u>\$ 1,203,717</u>	<u>\$ 1,448,471</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 71,154	\$ 120,586
Grants payable	219,227	383,278
Deferred revenue	<u>24,793</u>	<u>16,389</u>
TOTAL CURRENT LIABILITIES	315,174	520,253
UNRESTRICTED NET ASSETS	<u>888,543</u>	<u>928,218</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,203,717</u>	<u>\$ 1,448,471</u>

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

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE AND OTHER SUPPORT		
General public support	\$ 1,098,589	\$ 698,830
Special events, net of direct donor benefit costs of \$1,073,444 in 2014 and \$1,260,300 in 2013	<u>944,725</u>	<u>1,261,540</u>
TOTAL REVENUE AND SUPPORT	<u>2,043,314</u>	<u>1,960,370</u>
EXPENSES		
Program services:		
Pediatric cancer research	1,733,502	1,639,063
Support services:		
Management and general	139,806	123,035
Fundraising	<u>209,681</u>	<u>181,248</u>
TOTAL EXPENSES	2,082,989	1,943,346
Loss from inventory adjustment related to discontinued Holiday Card Program	<u>-</u>	<u>45,827</u>
TOTAL EXPENSES AND LOSSES	<u>2,082,989</u>	<u>1,989,173</u>
DECREASE IN NET ASSETS	(39,675)	(28,803)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>928,218</u>	<u>957,021</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 888,543</u>	<u>\$ 928,218</u>

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

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>		<u>Support Services</u>		
	<u>Pediatric Cancer</u>	<u>Management</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Research</u>				
Grants for pediatric cancer research	\$ 1,546,272	\$ -	\$ -	\$ -	\$ 1,546,272
Other program services and support	23,981	-	-	-	23,981
Salaries and related costs	132,184	63,675	111,387	-	307,246
Postage and supplies	7,264	4,820	4,820	-	16,904
Rent and utilities	19,768	28,179	29,451	-	77,398
Professional services	2,597	32,169	16,170	-	50,936
Printing	-	832	15,049	-	15,881
Public relations	-	-	9,539	-	9,539
Miscellaneous	1,436	5,649	23,265	-	30,350
<b>Total expenses before depreciation</b>	<b>1,733,502</b>	<b>135,324</b>	<b>209,681</b>	<b>-</b>	<b>2,078,507</b>
Depreciation	-	4,482	-	-	4,482
<b>TOTAL EXPENSES</b>	<b>\$ 1,733,502</b>	<b>\$ 139,806</b>	<b>\$ 209,681</b>	<b>\$ -</b>	<b>\$ 2,082,989</b>

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



PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services		Support Services		Total
	Pediatric Cancer Research	Management and General	Fundraising		
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
<b>Total expenses before depreciation</b>	<b>1,639,063</b>	<b>117,624</b>	<b>181,248</b>		<b>1,937,935</b>
Depreciation	-	5,411	-		5,411
<b>TOTAL EXPENSES</b>	<b>\$ 1,639,063</b>	<b>\$ 123,035</b>	<b>\$ 181,248</b>		<b>\$ 1,943,346</b>

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

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ <u>(39,675)</u>	\$ <u>(28,803)</u>
Adjustments to reconcile decrease in net assets to net cash (used) provided by operating activities:		
Depreciation	4,482	5,411
(Increase) decrease in operating assets:		
Contributions receivable	(132,950)	(74,329)
Inventories	-	45,827
Prepaid expenses	(32,444)	30,857
Deposits	151	305
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(47,858)	83,967
Grants payable	(164,051)	81,373
Sales tax payable	(1,574)	99
Deferred revenue	8,404	(3,543)
Total adjustments	<u>(365,840)</u>	<u>169,967</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(405,515)	141,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(1,209)</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(406,724)	141,164
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,283,487</u>	<u>1,142,323</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 876,763</u>	<u>\$ 1,283,487</u>

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



PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

Basis of Presentation

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

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, 2014 and 2013.

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 2013 financial statement presentation to correspond to the current year’s format. Decrease in net assets and net assets are unchanged due to these reclassifications.

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Holiday Card Program

The Holiday Card Program was discontinued in 2013, at which time the Foundation wrote off the remaining balance of inventory in the amount of \$45,827. The loss is included in inventory adjustment related to discontinued Holiday Card Program in the combined statement of activities and changes in net assets for the year ended December 31, 2013.

Revenue Recognition

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

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 Massachusetts, Connecticut, Vermont, and Washington.

The Foundation's federal income tax and informational returns for the years ended December 31, 2011, 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, 2010, and subsequent.

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 value at the date of the gift. Donated materials and assets related to special events aggregated \$236,448 and \$263,230 for the years ended December 31, 2014 and 2013, respectively, and are included with special events in the statements of activities and changes in net assets.

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Grants payable consist of amounts awarded but not paid as of December 31, 2014 and 2013.

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.

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.

Subsequent Events

Management has evaluated subsequent events through May 20, 2015, the date the financial statements were available to be issued.

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE B – PROPERTY AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Equipment	\$ 10,472	\$ 9,263
Computer software	62,910	62,910
Vehicles	<u>8,000</u>	<u>8,000</u>
Total property and equipment	81,382	80,173
Less accumulated depreciation	<u>(78,827)</u>	<u>(74,345)</u>
Total property and equipment, net	<u>\$ 2,555</u>	<u>\$ 5,828</u>

NOTE C - 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.

Two contributors accounted for approximately 62% and 76% of the contributions receivable balance as of December 31, 2014 and 2013, respectively.

NOTE D – GRANTS

The Foundation awarded total grants of \$1,546,272 and \$1,403,903 and disbursed a total of \$1,710,323 and \$1,322,530 during the years ended December 31, 2014 and 2013, respectively.

NOTE E - COMMITMENTS

The Foundation leases its facility under a lease agreement originally dated July 8, 2005, and amended and extended in June 2014 to July 31, 2017. The minimum monthly base rent as of December 31, 2014 is \$2,768. 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, 2014 and 2013 was \$51,415 and 52,638, respectively.

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE E – COMMITMENTS (Continued)

The future minimum payments under the lease are as follows for the years ended December 31:

2015	\$ 34,061
2016	36,089
2017	<u>21,742</u>
	<u>\$ 91,892</u>

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 were discretionary and determined semi-annually. There were no Foundation contributions for the year ended December 31, 2013. 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. The Foundation made \$7,722 in matching contributions under this SIMPLE IRA retirement program during the year ended December 31, 2014.

NOTE G – CHILDREN'S CANCER FUND JOINT FUNDRAISING AGREEMENT

Effective January 13, 2014, the Foundation and Children's Cancer Fund (CCF), an unrelated nonprofit organization, signed a Memorandum of Agreement (MOU) to conduct specific joint fundraising activities under the name of the Foundation. The MOU is explicit that there was no legal merger of the entities, and no assets or liabilities of CCF were received or assumed by the Foundation.

Pursuant to the MOU, all funds raised by the Foundation specifically designated for CCF will be allocated to the existing CCF New York Medical College Grant (the CCF Grant). The original three-year CCF Grant, in the total amount of approximately \$1,200,000, began on April 1, 2012 and runs through March 31, 2015. CCF amended the CCF Grant to reduce the final year commitment to New York Medical College by \$90,000.

During the year ended December 31, 2014, the Foundation raised approximately \$70,000 specifically designated for CCF, of which \$35,000 was paid to CCF on October 29, 2014 and the remaining \$35,000 of which is included in grants payable in the accompanying combined statement of financial position as of December 31, 2014. It is the Foundation's understanding that these funds

PEDIATRIC CANCER RESEARCH FOUNDATION AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE G – CHILDREN’S CANCER FUND JOINT FUNDRAISING AGREEMENT (Continued)

will be remitted by CCF to New York Medical College.

From January 1, 2015 through May 20, 2015, the Foundation has collected approximately \$31,000 in funds on behalf of Children’s Cancer Foundation.