

**Pediatric Cancer Research Foundation
and Affiliate**

**Combined Financial Statements
For the Years Ended
December 31, 2016 and 2015
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, 2016 and 2015, 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 Combined 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 combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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, 2016 and 2015, 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.

April 11, 2017

Pediatric Cancer Research Foundation and Affiliate
Combined Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 2,291,436	\$ 1,595,172
Contributions receivable	97,702	208,189
Prepaid expenses	<u>30,807</u>	<u>33,835</u>
Total current assets	2,419,945	1,837,196
Property and Equipment, net	107,407	141,463
Other Assets		
Deposits	<u>2,252</u>	<u>2,404</u>
Total assets	<u>\$ 2,529,604</u>	<u>\$ 1,981,063</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 233,237	\$ 258,487
Grants payable	287,320	261,287
Deferred revenue	<u>20,753</u>	<u>21,942</u>
Total current liabilities	541,310	541,716
Unrestricted net assets	<u>1,988,294</u>	<u>1,439,347</u>
Total liabilities and net assets	<u>\$ 2,529,604</u>	<u>\$ 1,981,063</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue and Other Support		
General public support	\$ 1,556,881	\$ 1,105,590
Special events, net of direct donor benefit costs of \$1,030,939 in 2016 and \$958,317 in 2015	1,100,613	1,269,129
International symposium	-	313,115
	<u>2,657,494</u>	<u>2,687,834</u>
Expenses		
Program services:		
Pediatric cancer research	1,603,280	1,687,433
Support services:		
Management and general	169,871	140,621
Fundraising	335,396	308,976
	<u>2,108,547</u>	<u>2,137,030</u>
Increase in unrestricted net assets	548,947	550,804
Unrestricted net assets at beginning of year	<u>1,439,347</u>	<u>888,543</u>
Unrestricted net assets at end of year	<u><u>\$ 1,988,294</u></u>	<u><u>\$ 1,439,347</u></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, 2016

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Pediatric Cancer Research</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants for pediatric cancer research	\$ 1,402,419	\$ -	\$ -	\$ 1,402,419
Other program services and support	27,574	-	-	27,574
Salaries and related costs	135,172	61,992	154,836	352,000
Postage and supplies	5,594	4,225	4,224	14,043
Rent and utilities	18,436	18,622	19,811	56,869
Professional services	2,930	30,273	18,530	51,733
Printing	-	883	27,105	27,988
Public relations	-	-	85	85
Miscellaneous	11,155	28,455	85,385	124,995
Total expenses before depreciation	1,603,280	144,450	309,976	2,057,706
Depreciation	-	25,421	25,420	50,841
Total expenses	<u>\$ 1,603,280</u>	<u>\$ 169,871</u>	<u>\$ 335,396</u>	<u>\$ 2,108,547</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, 2015

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Pediatric Cancer Research</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grants for pediatric cancer research	\$ 1,220,776	\$ -	\$ -	\$ 1,220,776
Other program services and support	270,048	-	-	270,048
Salaries and related costs	149,503	54,351	160,190	364,044
Postage and supplies	8,470	4,044	4,046	16,560
Rent and utilities	19,966	20,762	22,389	63,117
Professional services	3,407	31,862	16,513	51,782
Printing	-	3,901	28,213	32,114
Public relations	-	-	1,529	1,529
Miscellaneous	15,263	17,195	76,096	108,554
Total expenses before depreciation	1,687,433	132,115	308,976	2,128,524
Depreciation	-	8,506	-	8,506
Total expenses	<u>\$ 1,687,433</u>	<u>\$ 140,621</u>	<u>\$ 308,976</u>	<u>\$ 2,137,030</u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in unrestricted net assets	\$ 548,947	\$ 550,804
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	50,841	8,506
Loss on disposal of assets	-	136
Decrease in operating assets:		
Contributions receivable	110,487	59,185
Prepaid expenses	3,028	20,634
Deposits	152	152
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(25,250)	63,421
Grants payable	26,033	42,060
Deferred revenue	(1,189)	(2,851)
	<u>164,102</u>	<u>191,243</u>
Total adjustments		
Net cash provided by operating activities	713,049	742,047
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(16,785)</u>	<u>(23,638)</u>
Net increase in cash and cash equivalents	696,264	718,409
Cash and cash equivalents, beginning of year	<u>1,595,172</u>	<u>876,763</u>
Cash and cash equivalents, end of year	<u>\$ 2,291,436</u>	<u>\$ 1,595,172</u>

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

Pediatric Cancer Research Foundation and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

1. Significant Accounting Policies

Organization

Pediatric Cancer Research Foundation (PCRF) and the Pediatric Cancer Research Foundation New York, a Not-for-Profit Corporation (PCRFNY) (collectively “the Foundation”), related entities under common control, 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, California. 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 combined 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, 2016 and 2015.

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.

Revenue Recognition

Revenues from 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, Washington, and Illinois.

The Foundation’s federal income tax and informational returns for the years ended December 31, 2013, 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, 2012, and subsequent.

Pediatric Cancer Research Foundation and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

1. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the combined statements of s, the Foundation includes in cash and cash equivalents all cash accounts 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 combined 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 \$363,064 and \$222,827 for the years ended December 31, 2016 and 2015, respectively, and are included with special events in the combined 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 combined 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, 2016 and 2015.

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 combined 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 combined 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 April 11, 2017, the date the combined financial statements were available to be issued.

Pediatric Cancer Research Foundation and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

2. Property and Equipment

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

	<u>2016</u>	<u>2015</u>
Equipment	\$ 9,455	\$ 9,455
Computer software	210,460	210,460
Vehicles	<u>16,785</u>	<u>8,000</u>
Total property and equipment	236,700	227,915
Less accumulated depreciation	<u>(129,293)</u>	<u>(86,452)</u>
Total property and equipment, net	<u>\$ 107,407</u>	<u>\$ 141,463</u>

3. 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 56% and 52% of the contributions receivable balance as of December 31, 2016 and 2015, respectively.

4. Grants

The Foundation awarded total grants of \$1,402,419 and \$1,220,776 and disbursed a total of \$1,376,386 and \$1,178,716 during the years ended December 31, 2016 and 2015, respectively.

5. 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, 2016 is \$3,106. 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, 2016 and 2015 was \$53,480 and \$51,593, respectively. The future minimum payments under the lease total \$21,742 for the year ending December 31, 2017.

6. Employee Benefit Plan

In 2014 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 \$7,042 and \$6,453 in matching contributions under this SIMPLE IRA retirement program during the years ended December 31, 2016 and 2015, respectively.

Pediatric Cancer Research Foundation and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

7. 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 was 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 ran 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, 2015, the Foundation raised approximately \$50,000 specifically designated for CCF, of which \$30,000 was paid to CCF on May 22, 2015, and \$20,000 of which was paid directly to New York Medical College on December 15, 2015 for the social worker portion of the CCF grant. Effective January 2, 2017, the MOU with CCF was mutually terminated by both parties.