

# Children's Cancer Research Fund

## Financial Statements Together with Independent Auditors' Report

June 30, 2017

# CHILDREN'S CANCER RESEARCH FUND

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Children's Cancer Research Fund  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Children's Cancer Research Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statement 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Children's Cancer Research Fund as of June 30, 2017 and 2016, 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.



Roseville, Minnesota  
October 10, 2017

## CHILDREN'S CANCER RESEARCH FUND

### STATEMENT OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 4,886,588	\$ 3,602,218
Pledges Receivable	583,556	708,877
Accrued Interest	7,674	7,681
Prepaid Expenses	241,174	243,193
Total Current Assets	<u>5,718,992</u>	<u>4,561,969</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Less Accumulated Depreciation	944,592	798,841
Net Property and Equipment	<u>660,361</u>	<u>592,617</u>
	<u>284,231</u>	<u>206,224</u>
<b>INVESTMENTS</b>	<u>2,289,699</u>	<u>2,145,071</u>
<b>OTHER LONG-TERM ASSETS:</b>		
Pledges Receivable, Net	<u>1,075,195</u>	<u>276,776</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,368,117</u>	<u>\$ 7,190,040</u>
LIABILITIES AND NET ASSETS		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 799,683	\$ 603,488
Accrued Payroll and Related	274,165	268,860
Other Accrued Liabilities	74,742	83,086
Unearned Event Revenue	167,415	97,424
Grants Payable	2,545,471	1,878,750
Total Current Liabilities	<u>3,861,476</u>	<u>2,931,608</u>
<b>LONG-TERM LIABILITIES:</b>		
Grants Payable, Net	<u>1,179,467</u>	<u>68,170</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Operating	1,613,192	1,351,304
Board Designated	2,375,884	2,577,671
Total Unrestricted	<u>3,989,076</u>	<u>3,928,975</u>
Temporarily Restricted	138,098	61,287
Permanently Restricted	200,000	200,000
Total Net Assets	<u>4,327,174</u>	<u>4,190,262</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,368,117</u>	<u>\$ 7,190,040</u>

*The accompanying notes are an integral part of the financial statements.*

## CHILDREN'S CANCER RESEARCH FUND

### STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

	2017				Total
	Unrestricted		Temporarily Restricted	Permanently Restricted	
	Operating	Board Designated			
<b>SUPPORT AND REVENUE:</b>					
General Contributions	\$ 3,507,802	\$ -	\$ 1,971,039	\$ -	\$ 5,478,841
Events	5,685,728	-	763,933	-	6,449,661
Direct Expenses	(319,319)	-	-	-	(319,319)
Donated Goods and Services	535,594	-	-	-	535,594
Cause Marketing	82,745	-	62,031	-	144,776
Investment Income	-	209,213	22,432	-	231,645
Other	50,581	-	-	-	50,581
Board Designated Appropriation	200,000	(200,000)	-	-	-
Net Assets Released From Restrictions:					
Satisfaction of Program Restrictions	2,742,624	-	(2,742,624)	-	-
Total Support and Revenue	<u>12,485,755</u>	<u>9,213</u>	<u>76,811</u>	<u>-</u>	<u>12,571,779</u>
<b>EXPENSES:</b>					
Program Services:					
Research	4,084,100	311,000	-	-	4,395,100
Education & Awareness	3,769,833	-	-	-	3,769,833
Patient & Family Services	655,514	-	-	-	655,514
Total Program Expenses	<u>8,509,447</u>	<u>311,000</u>	<u>-</u>	<u>-</u>	<u>8,820,447</u>
Supporting Services:					
Fundraising	3,081,716	-	-	-	3,081,716
Management and General	532,704	-	-	-	532,704
Total Support Expenses	<u>3,614,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,614,420</u>
Total Expenses	<u>12,123,867</u>	<u>311,000</u>	<u>-</u>	<u>-</u>	<u>12,434,867</u>
TRANSFER OF NET ASSETS	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	261,888	(201,787)	76,811	-	136,912
NET ASSETS at Beginning of Year	<u>1,351,304</u>	<u>2,577,671</u>	<u>61,287</u>	<u>200,000</u>	<u>4,190,262</u>
NET ASSETS at End of Year	<u>\$ 1,613,192</u>	<u>\$ 2,375,884</u>	<u>\$ 138,098</u>	<u>\$ 200,000</u>	<u>\$ 4,327,174</u>

*The accompanying notes are an integral part of the financial statements.*

## CHILDREN'S CANCER RESEARCH FUND

### STATEMENT OF ACTIVITIES (Continued) YEAR ENDED JUNE 30, 2016

	2016				Total
	Unrestricted		Temporarily Restricted	Permanently Restricted	
	Operating	Board Designated			
<b>SUPPORT AND REVENUE:</b>					
General Contributions	\$ 3,312,812	\$ —	\$ 1,734,074	\$ 200,000	\$ 5,246,886
Events	4,540,192	—	690,039	—	5,230,231
Direct Expenses	(312,059)	—	—	—	(312,059)
Donated Goods and Services	2,750,467	—	—	—	2,750,467
Cause Marketing	457,043	—	13,736	—	470,779
Investment Income	—	104,756	4,472	—	109,228
Other	78,250	—	—	—	78,250
Board Designated Appropriation	300,000	(300,000)	—	—	—
Net Assets Released From Restrictions:					
Satisfaction of Program Restrictions	2,603,579	—	(2,603,579)	—	—
Total Support and Revenue	<u>13,730,284</u>	<u>(195,244)</u>	<u>(161,258)</u>	<u>200,000</u>	<u>13,573,782</u>
<b>EXPENSES:</b>					
Program Services:					
Research	4,178,805	250,000	—	—	4,428,805
Education & Awareness	5,463,126	—	—	—	5,463,126
Patient & Family Services	408,967	—	—	—	408,967
Total Program Expenses	<u>10,050,898</u>	<u>250,000</u>	<u>—</u>	<u>—</u>	<u>10,300,898</u>
Supporting Services:					
Fundraising	2,477,595	—	—	—	2,477,595
Management and General	492,422	—	—	—	492,422
Total Support Expenses	<u>2,970,017</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,970,017</u>
Total Expenses	<u>13,020,915</u>	<u>250,000</u>	<u>—</u>	<u>—</u>	<u>13,270,915</u>
TRANSFER OF NET ASSETS	<u>(450,000)</u>	<u>450,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
CHANGE IN NET ASSETS	259,369	4,756	(161,258)	200,000	302,867
NET ASSETS at Beginning of Year	<u>1,091,935</u>	<u>2,572,915</u>	<u>222,545</u>	<u>—</u>	<u>3,887,395</u>
NET ASSETS at End of Year	<u>\$ 1,351,304</u>	<u>\$ 2,577,671</u>	<u>\$ 61,287</u>	<u>\$ 200,000</u>	<u>\$ 4,190,262</u>

*The accompanying notes are an integral part of the financial statements.*

## CHILDREN'S CANCER RESEARCH FUND

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017

	2017					
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	Total
Salaries, Wages and Payroll Taxes	\$ -	\$ 912,034	\$ 80,981	\$ 777,632	\$ 320,127	\$ 2,090,774
Employee Benefits	-	119,435	10,605	101,835	41,922	273,797
Professional Development	-	16,944	3,875	12,165	2,890	35,874
Professional Services	-	656,382	191,458	647,775	51,973	1,547,588
Printing and Postage:	-					-
Office Printing and Postage	-	26,980	6,953	22,347	6,269	62,549
Direct Mail	-	498,977		606,616		1,105,593
Advertising:	-					-
In-Kind Advertising	-	535,594	-	-	-	535,594
Other Advertising	-	403,066	-	402,989	-	806,055
Supplies and Equipment	-	12,613	30,477	101,383	2,447	146,920
Venue and Entertainment	-	34,042	26,699	28,648	929	90,318
Fees, Licenses and Permits	-	10,672	132	199,973	13,027	223,804
Insurance	-	416	-	416	23,230	24,062
Travel and Lodging	-	22,981	19,655	21,820	10,200	74,656
Facilities and Administration	-	87,972	7,218	76,292	27,813	199,295
Research and Program Grants	4,395,100	324,400	271,921	-	-	4,991,421
Information Technology	-	77,774	2,916	56,629	21,504	158,823
Depreciation	-	29,551	2,624	25,196	10,373	67,744
<b>Total Expenses</b>	<b>\$ 4,395,100</b>	<b>\$ 3,769,833</b>	<b>\$ 655,514</b>	<b>\$ 3,081,716</b>	<b>\$ 532,704</b>	<b>\$ 12,434,867</b>

*The accompanying notes are an integral part of the financial statements.*

**CHILDREN'S CANCER RESEARCH FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**YEAR ENDED JUNE 30, 2016**

	2016					
	Research	Education & Awareness	Patient & Family Services	Supporting Services		Total
				Fund- raising	Manage- ment and General	
Salaries, Wages and Payroll Taxes	\$ —	\$ 765,127	\$ 82,027	\$ 703,474	\$ 307,573	\$ 1,858,201
Employee Benefits	—	86,829	9,309	79,833	34,916	210,887
Professional Development	—	18,897	4,199	16,193	4,767	44,056
Professional Services	—	501,774	172,209	481,271	50,409	1,205,663
Printing and Postage:						
Office Printing and Postage	—	33,716	8,328	21,370	4,481	67,895
Direct Mail	—	522,840	—	517,811	—	1,040,651
Advertising:						
In-Kind Advertising	—	2,750,467	—	—	—	2,750,467
Other Advertising	—	252,965	—	252,964	274	506,203
Supplies and Equipment	—	14,367	38,171	60,112	2,380	115,030
Venue and Entertainment	—	16,477	16,039	16,849	835	50,200
Fees, Licenses and Permits	—	11,843	3	180,096	9,243	201,185
Insurance	—	18	—	17	15,258	15,293
Travel and Lodging	—	17,891	13,732	16,119	4,708	52,450
Facilities and Administration	—	76,373	7,587	70,775	27,980	182,715
Research and Program Grants	4,428,805	321,252	52,158	—	—	4,802,215
Information Technology	—	48,157	2,618	38,522	19,893	109,190
Depreciation	—	24,133	2,587	22,189	9,705	58,614
<b>Total Expenses</b>	<b><u>\$ 4,428,805</u></b>	<b><u>\$ 5,463,126</u></b>	<b><u>\$ 408,967</u></b>	<b><u>\$ 2,477,595</u></b>	<b><u>\$ 492,422</u></b>	<b><u>\$ 13,270,915</u></b>

*The accompanying notes are an integral part of the financial statements.*



## CHILDREN'S CANCER RESEARCH FUND

### STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 136,912	\$ 302,867
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	67,744	58,614
Investment Gains	(178,793)	(61,108)
Long-Term Grants Payable	1,111,297	(249,253)
Long-Term Pledges Receivable	(798,419)	2,082
Changes in Assets and Liabilities:		
Pledges Receivable	125,321	(101,438)
Accrued Interest	7	(341)
Prepaid Expenses	2,019	27,109
Accounts Payable	196,195	183,613
Accrued Payroll	5,305	21,721
Other Accrued Liabilities	(8,344)	41,399
Unearned Event Revenue	69,991	(10,883)
Grants Payable	666,721	(3,790)
Net Cash Flows From Operating Activities	1,395,956	210,592
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(145,751)	(208,253)
Purchases of Investments	(380,689)	(317,007)
Proceeds from Sale of Investments	414,854	195,844
Net Cash Flows From Investing Activities	(111,586)	(329,416)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,284,370	(118,824)
CASH AND CASH EQUIVALENTS at Beginning of Year	3,602,218	3,721,042
CASH AND CASH EQUIVALENTS at End of Year	\$ 4,886,588	\$ 3,602,218

*The accompanying notes are an integral part of the financial statements.*

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities**

Children's Cancer Research Fund (the Organization) is dedicated to finding a cure for childhood cancer by providing funds to the University of Minnesota and other qualified institutions for research and training relating to the prevention, treatment and cure of childhood cancer. The Organization also educates the public about childhood cancer and supports quality-of-life programs for pediatric cancer patients and their families.

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

##### Unrestricted Net Assets

Operating: Resources over which the Board of Directors has discretionary control.

Board Designated: Designated amounts represent those net assets which the Board has set aside to fund specific operational activities and to assure the long-term financial health of the Organization. The Board Designated fund is comprised of Operating Reserves and Program Services Support. The Operating Reserve provides a funding mechanism to provide a consistent source of operating support in the operating budget and serves as a reserve to cover budget shortfalls. The Program Services Support provides a mechanism to maintain assets related to grants awarded that will be distributed in future years and to respond to Program Service funding opportunities that advance the mission of the Organization.

Temporarily Restricted Net Assets - Resources received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor imposed restrictions that they be maintained permanently by the Organization. The donors have permitted the Organization to use all or part of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes. Permanently restricted net assets consist of donations restricted for the endowment fund.

#### **Accounting Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through October 10, 2017, the date the financial statements were available to be issued.

#### Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

#### Pledges Receivable

Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue.

#### Allowance for Pledges Receivable Losses

Pledges receivable are assessed individually for collectability based on the surrounding facts and circumstances and past history.

The Organization monitors the credit quality of its pledges receivable balance. Pledges are reviewed periodically and collectability of pledge balances is assessed. Losses in prior years have been insignificant. The Organization has recorded no allowance for uncollectible pledges at June 30, 2017 and 2016.

#### Property, Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture	7 Years
Office and Computer Equipment	3-5 Years
Software	3 Years

Depreciation expense was \$67,744 and \$58,614 for the years ended June 30, 2017 and 2016.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

#### **Grants Payable**

Unconditional grants are recorded as expense when approved by management. Grants that are subject to conditions are recorded when the conditions have been substantially met. Grants payable are stated at fair value by discounting payments due in more than one year. Grants payable cancelled in a subsequent year are recorded in the year of cancellation.

#### **Revenue Recognition and Deferred Revenue**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Event revenue is recognized as revenue when the event occurs. Deferred Revenue consists of event revenue received in advance of the event.

#### **Donated Services**

The Organization recognizes revenue and expenses for donated space in the form of publications and digital media for education media outreach. The donated space is valued at fair market value based on rates provided by the ad agency and various publications.

#### **Advertising Costs**

Advertising costs are expensed as incurred.

#### **Functional Allocation of Expense**

The costs of providing various programs and services are summarized on a functional basis on the statement of activities. Accordingly, certain costs were allocated among the programs or services benefited based on best estimates by management.

#### **Income Taxes**

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code therefore, the statements do not include a provision for income taxes but is subject to income tax on net unrelated business income.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes (Continued)

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

The Organization's federal tax returns are open to examination for tax years 2014 through 2016.

#### Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Organization had a credit risk concentration as a result of depositing \$293,000 of funds in excess of insurance limits in two banks.

#### Fair Value Measurements

Under generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest Level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on inputs as presented in Note 2.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Endowments

The Organization follows the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered restricted net assets

### NOTE 2 - INVESTMENTS

Investments are stated at fair value at June 30, 2017 and 2016 and consisted of the following:

	<u>2017</u>	<u>2016</u>
Money Market Funds	\$ 102,808	\$ 18,340
Marketable Equity Securities	1,658,095	1,507,941
Corporate Bonds, Maturity Date 2020 Through 2030	563,084	564,023
Government Bonds, Maturity Date 2025 Through 2028	68,386	59,688
Mortgaged-Backed Securities	134	13,419
Total	<u>\$ 2,392,507</u>	<u>\$ 2,163,411</u>

Net investment income for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	63,836	\$ 60,223
Investment Gains	178,793	61,108
Investment Fees	(10,984)	(12,103)
Total	<u>\$ 231,645</u>	<u>\$ 109,228</u>

Investments accounts were held as follows at June 30:

	<u>2017</u>	<u>2016</u>
General Investment Account	\$ 2,392,507	\$ 2,163,411
Money Market Reclassification to Cash Equivalents	(102,808)	(18,340)
Total	<u>\$ 2,289,699</u>	<u>\$ 2,145,071</u>

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - INVESTMENTS (Continued)

The following tables, as of June 30, 2017 and 2016, provide information by level for assets that are measured at fair value, on a recurring basis.

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>2017:</b>				
Money Market Funds	\$ 102,808	\$ 102,808	\$ -	\$ -
Marketable Equity Securities	1,658,095	1,658,095	-	-
Corporate Bonds	563,084	-	563,084	-
Government Bonds	68,386	-	68,386	-
Mortgaged-Backed Securities	134	-	134	-
Totals	<u>\$ 2,392,507</u>	<u>\$ 1,760,903</u>	<u>\$ 631,604</u>	<u>\$ -</u>

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>2016:</b>				
Money Market Funds	\$ 18,340	\$ 18,340	\$ -	\$ -
Marketable Equity Securities	1,507,941	1,507,941	-	-
Corporate Bonds	564,023	-	564,023	-
Government Bond	59,688	-	59,688	-
Mortgaged-Backed Securities	13,419	-	13,419	-
Totals	<u>\$ 2,163,411</u>	<u>\$ 1,526,281</u>	<u>\$ 637,130</u>	<u>\$ -</u>

The fair value maturities of the corporate bonds as of June 30, 2017 are as follows: 0-5 years - \$189,792; 6-10 years - \$324,461; and over 10 years - \$48,831.

The fair value of the Organization's money market funds and marketable equity securities were determined based on Level 1 inputs.

The fair values of the Organization's corporate bonds, government bonds, and mortgaged-backed securities were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material to the amounts reported in the statement of financial position.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - PLEDGES RECEIVABLE

Promises to give consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Pledges Receivable	<u>\$ 1,658,751</u>	<u>\$ 985,653</u>

Pledges receivable are due as follows for the years ended June 30:

2018	\$ 583,556
2019	166,129
2020	11,200
2021	110,400
2022	100,000
Thereafter	<u>900,000</u>
	1,871,285
Less Discount at 3%	<u>212,534</u>
Total	<u>\$ 1,658,751</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of June 30:

	<u>2017</u>	<u>2016</u>
Furniture	<u>\$ 252,797</u>	\$ 206,693
Office, Computer Equipment and Software	<u>691,795</u>	<u>592,148</u>
Total	<u>\$ 944,592</u>	<u>\$ 798,841</u>

### NOTE 5 - ENDOWMENTS

The purpose of the endowment funds is to provide support to help eradicate childhood cancer. The Organization's endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, the Organization shall act in good faith with the care that a prudent person would exercise. The donors of the Organization's endowment funds have permitted an appropriation policy of spending approximately 4.5% percent of the endowment fund's market value annually. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted or unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.



# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - ENDOWMENTS (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Organization has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return. The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level of the original value of gifts donated plus subsequent gifts or other requirements that the Organization retain a fund of perpetual duration. If the principal balance falls below 20% of the original fund balance, ordinary distributions will be temporarily suspended until the fund balance is restored to the original fund balance. In accordance with generally accepted accounting policies, market value deficiencies of this nature are reported as unrestricted net assets. There were no deficiencies that occurred in fiscal year ended June 30, 2017

The Finance, Investment and Audit Committee annually reviews and recommends to the Board of Directors the amount to be distributed from endowment assets for the next fiscal year.

Changes in endowment net assets for the year ended June 30, 2017 and 2016 are as follows:

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Undesignated	Designated			
Endowment Net Assets, June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend and Interest Income	-	-	4,472	-	4,472
Contributions	-	-	-	200,000	200,000
Endowment Net Assets, June 30, 2016	-	-	4,472	200,000	204,472
Dividend and Interest Income	-	-	22,432	-	22,432
Contributions	-	-	-	-	-
Endowment Net Assets, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,904</u>	<u>\$ 200,000</u>	<u>\$ 226,904</u>

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - GRANTS PAYABLE

Grants payable are due as follows for the years ended June 30:

2018	\$ 2,545,471
2019	355,000
2020	100,000
2021	100,000
2022	100,000
Thereafter	<u>700,000</u>
	3,900,471
Less Discount at 3%	<u>175,533</u>
Total	<u>\$ 3,724,938</u>

### NOTE 7 - LINE OF CREDIT

The Organization has a revolving credit loan agreement with a bank which enables the Organization to borrow up to \$500,000 at the one-month ICE Benchmark Administration (ICE) LIBOR rate plus 3%. The line of credit is secured by all business assets of the Organization. The agreement does not have a maturity date, but can be terminated at any time by either party. No balance was outstanding on this loan at June 30, 2017 and 2016.

### NOTE 8 - NET ASSETS

Board designated net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Board Designated:		
Operating Reserve	\$ 1,825,884	\$ 1,716,671
Program Services Support	<u>550,000</u>	<u>861,000</u>
Total Board Designated	<u>\$ 2,375,884</u>	<u>\$ 2,577,671</u>

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted:		
Restricted Donations	\$ 111,194	\$ 56,815
Investment Income - Endowment Funds	<u>26,904</u>	<u>4,472</u>
Total Temporarily Restricted	<u>\$ 138,098</u>	<u>\$ 61,287</u>

Temporarily restricted net assets of \$2,742,624 and \$2,603,579 were released from restrictions in 2017 and 2016 due to satisfaction of program restrictions.

Permanently restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Permanently Restricted:		
Endowment Funds	<u>\$ 200,000</u>	<u>\$ 200,000</u>

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9 - LEASE COMMITMENTS

The Organization rents its principal office under an operating lease agreement. The lease requires monthly rental payments plus operating allocations as defined by the lease. This lease was amended in June 2015 and was extended, the lease has a termination option at the 70<sup>th</sup> month. The lease expires in February 2024 with an option for a five-year renewal.

The Organization also rents some office equipment. These leases are non-cancelable and expire in December 2018 and June 2019.

Rental expense and future minimum lease commitments for the next five years, (excluding estimated operating expense), are as follows as of June 30:

Rental Expense:

<b>2017</b>	<b>\$ 168,359</b>
2016	154,880

Future Lease Commitments:

2018	88,466
2019	90,203
2020	88,383
2021	90,958
2022	93,610
Thereafter	<u>162,283</u>
Total	<u>\$ 613,903</u>

### NOTE 10 - ALLOCATION OF JOINT COSTS

The Organization conducts an education program to achieve some of its programmatic goals by utilizing events and a direct mail campaign. These activities include joint activities that include fund raising. Costs of conducting the events and direct mail campaign were allocated as follows for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Education & Awareness	<b>\$ 1,748,000</b>	\$ 1,470,600
Fundraising	<u><b>1,807,700</b></u>	<u>1,428,700</u>
Totals	<u><b>\$ 3,555,700</b></u>	<u>\$ 2,899,300</u>

### NOTE 11 - RETIREMENT PLAN

The Organization has a 403(b) deferred compensation plan for all employees. Employees may elect to contribute a portion of their salaries up to IRS limitations. The Organization will match 100% of the employees' contribution up to 2% of the employees' compensation. The Organization also elects to make a discretionary contribution of 2% of the employees' compensation. Employer contributions of \$70,213 and \$64,075 were made as of June 30, 2017 and 2016.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12 - IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value on the date of donation. In-kind contributions relate to public awareness media space (print and digital) and included the following as of June 30:

	<u>2017</u>	<u>2016</u>
Education Media Outreach - Publications	<u>\$ 535,594</u>	<u>\$ 2,750,467</u>