

# Children's Cancer Research Fund

## Financial Statements Together with Independent Auditors' Report

June 30, 2019

# 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, 2019 and 2018, 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, 2019 and 2018, 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 2, 2019

*Olsen Thielen & Co., Ltd.*

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# CHILDREN'S CANCER RESEARCH FUND

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

ASSETS		
	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 8,488,222	\$ 6,355,416
Pledges Receivable	691,454	539,229
Accrued Interest	8,154	7,789
Prepaid Expenses	154,520	227,117
Total Current Assets	9,342,350	7,129,551
<b>PROPERTY AND EQUIPMENT:</b>		
Property and Equipment	1,140,198	1,048,687
Less Accumulated Depreciation	864,937	753,356
Net Property and Equipment	275,261	295,331
<b>OTHER NON CURRENT ASSETS:</b>		
Investment Securities	3,254,379	2,429,455
Pledges Receivable, Net	1,052,017	875,929
Total Other Non Current Assets	4,306,396	3,305,384
<b>TOTAL ASSETS</b>	<b>\$ 13,924,007</b>	<b>\$ 10,730,266</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 1,243,584	\$ 1,302,963
Accrued Payroll and Related	313,516	267,807
Unearned Event Revenue	145,893	158,133
Grants Payable	6,397,528	3,699,791
Total Current Liabilities	8,100,521	5,428,694
<b>NON CURRENT LIABILITIES:</b>		
Grants Payable, Net	1,028,210	855,253
Other Accrued Liabilities	52,036	63,389
Total Non Current Liabilities	1,080,246	918,642
<b>NET ASSETS:</b>		
Without Donor Restrictions:		
Operating	1,152,045	1,334,057
Board Designated	2,729,890	2,428,326
Total Without Donor Restrictions	3,881,935	3,762,383
With Donor Restrictions	861,305	620,547
Total Net Assets	4,743,240	4,382,930
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,924,007</b>	<b>\$ 10,730,266</b>

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

## CHILDREN'S CANCER RESEARCH FUND

### STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
General Contributions	\$ 3,280,237	\$ 1,303,119	\$ 4,583,356
Events	10,946,957	1,525,193	12,472,150
Direct Expenses	(446,002)	-	(446,002)
Donated Goods and Services	6,249,708	-	6,249,708
Cause Marketing	85,733	78,968	164,701
Investment Income	301,564	60,967	362,531
Other	75,889	-	75,889
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	2,727,489	(2,727,489)	-
Total Support and Revenue	<u>23,221,575</u>	<u>240,758</u>	<u>23,462,333</u>
<b>EXPENSES:</b>			
Program Services:			
Research	6,685,512	-	6,685,512
Education & Awareness	11,570,748	-	11,570,748
Patient & Family Services	466,120	-	466,120
Total Program Expenses	<u>18,722,380</u>	<u>-</u>	<u>18,722,380</u>
Supporting Services:			
Fundraising	3,311,844	-	3,311,844
Management and General	1,067,799	-	1,067,799
Total Support Expenses	<u>4,379,643</u>	<u>-</u>	<u>4,379,643</u>
Total Expenses	<u>23,102,023</u>	<u>-</u>	<u>23,102,023</u>
CHANGE IN NET ASSETS	119,552	240,758	360,310
NET ASSETS at Beginning of Year	<u>3,762,383</u>	<u>620,547</u>	<u>4,382,930</u>
NET ASSETS at End of Year	<u>\$ 3,881,935</u>	<u>\$ 861,305</u>	<u>\$ 4,743,240</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, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
General Contributions	\$ 3,250,954	\$ 650,055	\$ 3,901,009
Events	8,370,865	572,804	8,943,669
Direct Expenses	(364,409)	—	(364,409)
Donated Goods and Services	363,821	—	363,821
Cause Marketing	47,010	128,940	175,950
Investment Income	52,442	8,611	61,053
Other	71,936	—	71,936
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	1,077,961	(1,077,961)	—
Total Support and Revenue	<u>12,870,580</u>	<u>282,449</u>	<u>13,153,029</u>
<b>EXPENSES:</b>			
Program Services:			
Research	4,520,079	—	4,520,079
Education & Awareness	4,456,783	—	4,456,783
Patient & Family Services	360,204	—	360,204
Total Program Expenses	<u>9,337,066</u>	<u>—</u>	<u>9,337,066</u>
Supporting Services:			
Fundraising	2,806,544	—	2,806,544
Management and General	953,663	—	953,663
Total Support Expenses	<u>3,760,207</u>	<u>—</u>	<u>3,760,207</u>
Total Expenses	<u>13,097,273</u>	<u>—</u>	<u>13,097,273</u>
CHANGE IN NET ASSETS	(226,693)	282,449	55,756
NET ASSETS at Beginning of Year	<u>3,989,076</u>	<u>338,098</u>	<u>4,327,174</u>
NET ASSETS at End of Year	<u>\$ 3,762,383</u>	<u>\$ 620,547</u>	<u>\$ 4,382,930</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, 2019

	2019					Total
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	
Salaries, Wages and Payroll Taxes	\$ -	\$ 1,455,243	\$ 101,672	\$ 524,057	\$ 613,575	\$ 2,694,547
Employee Benefits	-	157,061	11,049	56,952	66,680	291,742
Professional Development	-	38,310	6,447	19,405	13,237	77,399
Professional Services	-	1,353,641	149,593	868,978	56,399	2,428,611
Printing and Postage:						
Office Printing and Postage	-	145,184	4,769	88,111	4,089	242,153
Direct Mail	-	571,153	-	618,754	-	1,189,907
Promotion and Advertising:						
In-Kind PSA Media	-	6,249,708	-	-	-	6,249,708
Advertising	-	1,028,416	-	749,018	-	1,777,434
Supplies and Equipment	-	137,959	19,830	120,545	3,099	281,433
Venue and Entertainment	-	44,335	14,564	53,806	1,882	114,587
Fees, Licenses and Permits	-	74,587	120	77,772	181,684	334,163
Insurance	-	-	-	-	23,772	23,772
Travel and Lodging	-	30,933	20,399	38,160	1,775	91,267
Facilities and Administration	-	108,135	8,027	39,267	47,932	203,361
Research and Program Grants	6,685,512	4,000	120,000	-	-	6,809,512
Information Technology	-	112,013	5,424	35,237	28,172	180,846
Depreciation	-	60,070	4,226	21,782	25,503	111,581
Total Expenses	<u>\$ 6,685,512</u>	<u>\$ 11,570,748</u>	<u>\$ 466,120</u>	<u>\$ 3,311,844</u>	<u>\$ 1,067,799</u>	<u>\$ 23,102,023</u>

*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, 2018

	2018					Total
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	
Salaries, Wages and Payroll Taxes	\$ -	\$ 1,313,662	\$ 97,831	\$ 506,838	\$ 525,782	\$ 2,444,113
Employee Benefits	-	139,904	10,490	54,346	56,377	261,117
Professional Development	-	22,117	4,016	11,935	4,752	42,820
Professional Services	-	890,477	159,402	830,490	53,892	1,934,261
Printing and Postage:						
Office Printing and Postage	-	127,786	5,150	66,440	2,719	202,095
Direct Mail	-	521,461	-	588,030	-	1,109,491
Promotion and Advertising:						
In-Kind PSA Media	-	363,821	-	-	-	363,821
Advertising	-	604,538	-	419,275	50	1,023,863
Supplies and Equipment	-	104,803	24,226	84,186	3,068	216,283
Venue and Entertainment	-	25,978	21,203	45,169	1,618	93,968
Fees, Licenses and Permits	-	82,894	140	84,624	145,832	313,490
Insurance	-	-	-	-	10,403	10,403
Travel and Lodging	-	14,129	10,386	33,533	796	58,844
Facilities and Administration	-	100,744	7,456	37,949	41,952	188,101
Research and Program Grants	4,520,079	10,000	9,000	-	-	4,539,079
Information Technology	-	84,643	7,168	24,374	86,344	202,529
Depreciation	-	49,826	3,736	19,355	20,078	92,995
<b>Total Expenses</b>	<b><u>\$ 4,520,079</u></b>	<b><u>\$ 4,456,783</u></b>	<b><u>\$ 360,204</u></b>	<b><u>\$ 2,806,544</u></b>	<b><u>\$ 953,663</u></b>	<b><u>\$ 13,097,273</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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 360,310	\$ 55,756
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	111,581	92,995
Investment Gains	(300,609)	(5,505)
Non Current Grants Payable	172,957	(324,214)
Non Current Pledges Receivable	(176,088)	199,266
Changes in Assets and Liabilities:		
Pledges Receivable	(152,225)	44,327
Accrued Interest	(365)	(115)
Prepaid Expenses	72,597	14,057
Accounts Payable	(59,379)	503,280
Accrued Payroll	45,709	(6,358)
Other Accrued Liabilities	(11,353)	(11,353)
Unearned Event Revenue	(12,240)	(9,282)
Grants Payable	<u>2,697,737</u>	<u>1,154,320</u>
Net Cash Flows From Operating Activities	<u>2,748,632</u>	<u>1,707,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(91,511)	(104,095)
Purchases of Investments	(997,671)	(297,407)
Proceeds from Sale of Investments	<u>473,356</u>	<u>163,156</u>
Net Cash Flows From Investing Activities	<u>(615,826)</u>	<u>(238,346)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,132,806	1,468,828
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>6,355,416</u>	<u>4,886,588</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 8,488,222</u>	<u>\$ 6,355,416</u>

*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 a national nonprofit who supports the brightest and boldest researchers searching for better treatments and cures for childhood cancer. Because childhood cancer affects the whole family and community, we also educate the public about childhood cancer and fund a variety of services that enhance healing and care for children 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:

##### Net Asset without Donor Restrictions

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.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

#### 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 2, 2019, 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, 2019 and 2018.

#### 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 \$111,581 and \$92,995 for the years ended June 30, 2019 and 2018.

# 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period. 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 Public Service Announcements (PSA's) and education media outreach. The donated space is valued at fair market value based on rates provided by the public relations agency and various publications.

#### **Advertising Costs**

Advertising costs are expensed as incurred.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### Functional Allocation of Expense

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- 1) Salaries and wages, benefits, and payroll taxes are allocated based on the amounts of time spent by employees performing those functions.
- 2) Occupancy, depreciation, amortization and interest are allocated on a square foot basis based on the programs and supporting activities occupying the space.
- 3) Telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of salaries and wages.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in support received in future years.

#### 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.

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.

#### 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 \$287,000 of funds in excess of insurance limits in a single bank.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### Endowments

The Organization follows the provisions of the Minnesota 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 net assets with donor restrictions.

#### Change in Accounting Principle

In 2018, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- 1) The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The unrestricted net asset class has been renamed net assets without donor restrictions.
- 2) The financial statements include a statement of functional expenses, which presents expenses by both their natural classification and their functional classification.
- 3) The financial statements include a disclosure about liquidity and availability of resources.
- 4) Investment and brokerage fees have been included with investment gains (losses) instead of expenses.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

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

#### Change in Accounting Principle (Continued)

The changes have the following effect on net assets at June 30, 2019

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets:		
Operating	\$ 1,334,057	
Board Designated	2,428,326	
Total Unrestricted	3,762,383	
Temporarily Restricted Net Assets	220,547	
Permanently Restricted Net Assets	400,000	
Net Assets Without Donor Restrictions:		
Operating		\$ 1,334,057
Board Designated		2,428,326
Total Without Donor Restrictions		3,762,383
Net Assets With Donor Restrictions	—	620,547
Total Net Assets	<u>\$ 4,382,930</u>	<u>\$ 4,382,930</u>

#### Reclassifications

Certain amounts in the 2018 financial statements and notes have been reclassified to conform with the 2019 presentation. This reclassification had no effect on net assets for either period.

#### Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. This ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.



# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - INVESTMENTS

Investments are stated at fair value at June 30, 2019 and 2018 and consisted of the following:

	<u>2019</u>	<u>2018</u>
Money Market Funds	\$ 59,889	\$ 20,682
Marketable Equity Securities	2,066,734	1,696,900
Mutual Funds	334,360	-
Corporate Bonds, Maturity Date 2020 Through 2030	782,641	666,816
Government Bonds, Maturity Date 2025 Through 2029	70,644	65,739
Total	<u>\$ 3,314,268</u>	<u>\$ 2,450,137</u>

Net investment income for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income	\$ 75,099	\$ 67,832
Investment Gains	300,609	5,505
Investment Fees	(13,177)	(12,284)
Total	<u>\$ 362,531</u>	<u>\$ 61,053</u>

Investments accounts were held as follows at June 30:

	<u>2019</u>	<u>2018</u>
General Investment Account	\$ 2,785,194	\$ 2,450,137
Endowment Investment Account	529,074	-
Money Market Reclassification to Cash Equivalents	(59,889)	(20,682)
Total	<u>\$ 3,254,379</u>	<u>\$ 2,429,455</u>

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - INVESTMENTS (Continued)

The following tables, as of June 30, 2019 and 2018, 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>2019:</b>				
Money Market Funds	\$ 59,889	\$ 59,889	\$ -	\$ -
Marketable Equity Securities	2,066,734	2,066,734	-	-
Mutual Funds	334,360	334,360	-	-
Corporate Bonds	782,641	-	782,641	-
Government Bonds	70,644	-	70,644	-
Totals	<b>\$ 3,314,268</b>	<b>\$ 2,460,983</b>	<b>\$ 853,285</b>	<b>\$ -</b>
Fair Value Measurements Using Inputs Considered as				
Description	Total	Level 1	Level 2	Level 3
<b>2018:</b>				
Money Market Funds	\$ 20,682	\$ 20,682	\$ -	\$ -
Marketable Equity Securities	1,696,900	1,696,900	-	-
Corporate Bonds	666,816	-	666,816	-
Government Bond	65,739	-	65,739	-
Totals	<b>\$ 2,450,137</b>	<b>\$ 1,717,582</b>	<b>\$ 732,555</b>	<b>\$ -</b>

The fair value maturities of the corporate bonds as of June 30, 2019 are as follows: 0-5 years - \$492,790; 6-10 years - \$263,596; and over 10 years - \$26,255.

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

The fair values of the Organization's corporate bonds and government bonds 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

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### NOTE 3 - PLEDGES RECEIVABLE

Promises to give consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Pledges Receivable	<u>\$ 1,743,471</u>	<u>\$ 1,415,158</u>

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

2020	\$ 691,454
2021	270,400
2022	214,545
2023	100,000
2024	100,000
Thereafter	<u>500,000</u>
	1,876,399
Less Discount at 3%	<u>132,928</u>
Total	<u>\$ 1,743,471</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of June 30:

	<u>2019</u>	<u>2018</u>
Furniture	<u>\$ 335,430</u>	\$ 316,008
Office, Computer Equipment and Software	<u>804,768</u>	<u>732,679</u>
Total	<u>\$ 1,140,198</u>	<u>\$ 1,048,687</u>

### NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's cash flows and general expenditures have seasonal variations due to the annual cash receipts for event revenue and a concentration of contributions received near year-end. Investments consist of funds designated by the board of directors for operating reserves. Investment earnings are typically re-invested in the investment portfolio. The Organization does not intend to spend from these board designated investments and meet on a regular basis to discuss whether any appropriations are considered necessary.

Available cash and increase in net assets is typically adequate to meet all obligations. In the event of additional liquidity need, there is a \$500,000 available line of credit.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2019 are as follows:

Financial Assets:	
Cash and Cash Equivalents	\$ 8,488,222
Pledges Receivable	691,454
Endowment and Long-Term Investments	3,254,379
Pledges Receivable - Non Current, Net	<u>1,052,017</u>
Total Financial Assets	<u>13,486,072</u>
Less Financial Assets Held to Meet Donor Restrictions:	
Donor Restricted - Purpose	428,713
Donor-Restricted - Endowment Funds	<u>432,592</u>
Less Financial Assets Held to Meet Donor Restrictions	<u>861,305</u>
Less Financial Assets not Available within One Year:	
Pledges Receivable - Non Current, Net	1,052,017
Board Designated Investments	<u>-</u>
Less Financial Assets not Available within One Year	<u>1,052,017</u>
Amounts Available for General Expenditure within One Year	<u>\$ 11,572,750</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization.

### NOTE 6 - 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 of the Organization has interpreted the Minnesota 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, an organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as term endowments 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 6 - ENDOWMENTS (Continued)

The Organization considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

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 net assets without donor restrictions. There were no deficiencies that occurred in fiscal year ended June 30, 2019

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, 2019 and 2018 are as follows:

	With Donor Restrictions		Total
	Restricted	Endowed	
Endowment Net Assets, June 30, 2017	\$ 26,904	\$ 200,000	\$ 226,904
Dividend and Interest Income	8,611	—	8,611
Contributions	—	200,000	200,000
Endowment Net Assets, June 30, 2018	35,515	400,000	435,515
Dividend and Interest Income	<b>60,967</b>	—	<b>60,967</b>
Contributions	—	<b>32,592</b>	<b>32,592</b>
Endowment Net Assets, June 30, 2019	<b>\$ 96,482</b>	<b>\$ 432,592</b>	<b>\$ 529,074</b>

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 - GRANTS PAYABLE

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

2020	\$ 6,397,528
2021	260,000
2022	200,000
2023	100,000
2024	100,000
Thereafter	<u>500,000</u>
	7,557,528
Less Discount at 3%	<u>131,790</u>
Total	<u>\$ 7,425,738</u>

### NOTE 8 - 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, 2019 and 2018.

### NOTE 9 - NET ASSETS

Board designated net assets at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Board Designated:		
Operating Reserve	\$ 2,479,890	\$ 2,178,326
Program Services Support	<u>250,000</u>	<u>250,000</u>
Total Board Designated	<u>\$ 2,729,890</u>	<u>\$ 2,428,326</u>

Net Assets With Donor Restrictions at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Net Assets With Donor Restrictions:		
Purpose Restricted Donations	\$ 332,231	\$ 185,032
Endowment Funds - Investment Income	96,482	35,515
Endowment Funds - Perpetual	<u>432,592</u>	<u>400,000</u>
Total With Donor Restrictions	<u>\$ 861,305</u>	<u>\$ 620,547</u>

Net assets with donor restrictions of \$2,727,489 and \$1,077,961 were released from restrictions in 2019 and 2018 due to satisfaction of program restrictions.

# CHILDREN'S CANCER RESEARCH FUND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10 - 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 to extend the term and included a termination option at the 70<sup>th</sup> month. The lease was amended again in January 2018 to add 874 square feet of office space adjacent to existing space and eliminate the early termination option. The lease expires in February 2024 with an option for a five-year renewal.

The Organization also rents a postage meter and folding machine. These leases are non-cancelable and expired in 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>2019</b>	<b>\$ 175,117</b>
2018	156,939
Future Lease Commitments:	
2020	101,512
2021	104,424
2022	107,424
2023	110,500
2024	<u>74,693</u>
Total	<u>\$ 498,553</u>

### NOTE 11 - 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>2019</u>	<u>2018</u>
Education & Awareness	<b>\$ 3,052,700</b>	\$ 2,310,400
Fundraising	<b><u>2,267,200</u></b>	<u>1,858,900</u>
Totals	<b><u>\$ 5,319,900</u></b>	<u>\$ 4,169,300</u>

## CHILDREN'S CANCER RESEARCH FUND

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 12 - 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 \$84,917 and \$81,483 were made as of June 30, 2019 and 2018.

#### NOTE 13 - IN-KIND CONTRIBUTIONS

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

	<u>2019</u>	<u>2018</u>
Education Media Outreach	<u>\$ 6,249,708</u>	<u>\$ 363,821</u>