



Children's Tumor Foundation, Inc.

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CHILDREN'S TUMOR FOUNDATION, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Children's Tumor Foundation, Inc.

We have audited the accompanying financial statements of the Children's Tumor Foundation, Inc., (the "Foundation"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 the Children's Tumor Foundation, Inc. as of December 31, 2015 and 2014, 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.

Marks Paneth LLP

New York, NY
July 25, 2016



CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2I and 10)	\$ 4,030,642	\$ 3,368,762
Investments (Notes 2J and 4)	6,559,928	6,349,496
Pledges and other receivables (Notes 2H and 3)	1,959,348	2,830,251
Prepaid expenses and other	250,375	445,719
Security deposit	16,516	16,516
Property and equipment, net (Notes 2K and 5)	256,433	224,383
TOTAL ASSETS	\$ 13,073,242	\$ 13,235,127
LIABILITIES		
Accounts payable and accrued expenses	\$ 209,246	\$ 356,256
Grants payable (Notes 2M and 9)	2,216,045	2,316,941
Deferred rent and other liabilities (Note 2D)	13,696	17,608
Assets held in trust (Note 6)	195,800	195,800
TOTAL LIABILITIES	2,634,787	2,886,605
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Unrestricted:		
Board designated (Notes 7 and 12B)	5,979,253	5,905,312
Operations	316,974	1,170,295
Total Unrestricted	6,296,227	7,075,607
Temporarily restricted (Note 12)	4,142,228	3,272,915
TOTAL NET ASSETS	10,438,455	10,348,522
TOTAL LIABILITIES AND NET ASSETS	\$ 13,073,242	\$ 13,235,127

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Year Ended December 31, 2015</u>			<u>Year Ended December 31, 2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
OPERATING SUPPORT AND REVENUE:						
Contributions - individuals (Note 2E)	\$ 2,132,041	\$ 2,344,569	\$ 4,476,610	\$ 8,394,155	\$ 5,167,872	\$ 3,226,283
Contributions - corporations and foundations (Note 2E)	648,727	2,851,080	3,499,807	2,034,159	1,245,084	789,075
Bequests (Note 2G)	508	-	508	108,398	108,398	-
Contributed goods and services (Note 2F)	772,851	-	772,851	412,821	412,821	-
Other income	<u>56,252</u>	<u>-</u>	<u>56,252</u>	<u>42,610</u>	<u>42,610</u>	<u>-</u>
	<u>3,610,379</u>	<u>5,195,649</u>	<u>8,806,028</u>	<u>10,992,143</u>	<u>6,976,785</u>	<u>4,015,358</u>
Special event revenue:						
Special event revenue	6,640,698	-	6,640,698	5,121,565	5,121,565	-
Less: direct benefits to donors (Note 2N)	<u>(405,301)</u>	<u>-</u>	<u>(405,301)</u>	<u>(385,917)</u>	<u>(385,917)</u>	<u>-</u>
Special event revenue, net	<u>6,235,397</u>	<u>-</u>	<u>6,235,397</u>	<u>4,735,648</u>	<u>4,735,648</u>	<u>-</u>
Net assets released from restrictions (Notes 2E and 12A)	<u>4,326,336</u>	<u>(4,326,336)</u>	<u>-</u>	<u>-</u>	<u>3,368,881</u>	<u>(3,368,881)</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>14,172,112</u>	<u>869,313</u>	<u>15,041,425</u>	<u>15,727,791</u>	<u>15,081,314</u>	<u>646,477</u>
OPERATING EXPENSES:						
Program services:						
Research and medical	7,935,871	-	7,935,871	8,168,115	8,168,115	-
Public education and patient support	<u>4,417,617</u>	<u>-</u>	<u>4,417,617</u>	<u>3,954,550</u>	<u>3,954,550</u>	<u>-</u>
Total program services	<u>12,353,488</u>	<u>-</u>	<u>12,353,488</u>	<u>12,122,665</u>	<u>12,122,665</u>	<u>-</u>
Supporting services:						
Management and general	978,477	-	978,477	852,967	852,967	-
Fundraising	<u>1,692,756</u>	<u>-</u>	<u>1,692,756</u>	<u>1,553,773</u>	<u>1,553,773</u>	<u>-</u>
Total supporting services	<u>2,671,233</u>	<u>-</u>	<u>2,671,233</u>	<u>2,406,740</u>	<u>2,406,740</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>15,024,721</u>	<u>-</u>	<u>15,024,721</u>	<u>14,529,405</u>	<u>14,529,405</u>	<u>-</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(852,609)</u>	<u>869,313</u>	<u>16,704</u>	<u>1,198,386</u>	<u>551,909</u>	<u>646,477</u>
NON-OPERATING REVENUE:						
Investment activity (Note 4)	<u>73,229</u>	<u>-</u>	<u>73,229</u>	<u>327,816</u>	<u>327,816</u>	<u>-</u>
TOTAL NON-OPERATING REVENUE	<u>73,229</u>	<u>-</u>	<u>73,229</u>	<u>327,816</u>	<u>327,816</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(779,380)</u>	<u>869,313</u>	<u>89,933</u>	<u>1,526,202</u>	<u>879,725</u>	<u>646,477</u>
Net assets - beginning of year	<u>7,075,607</u>	<u>3,272,915</u>	<u>10,348,522</u>	<u>8,822,320</u>	<u>6,195,882</u>	<u>2,626,438</u>
NET ASSETS - END OF YEAR	<u>\$ 6,296,227</u>	<u>\$ 4,142,228</u>	<u>\$ 10,438,455</u>	<u>\$ 10,348,522</u>	<u>\$ 7,075,607</u>	<u>\$ 3,272,915</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With Comparative Totals for 2014)

	For the Year Ended December 31, 2015							
	Program Services			Supporting Services				
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015	Total 2014
Salaries	\$ 1,093,686	\$ 1,372,070	\$ 2,465,756	\$ 305,099	\$ 568,651	\$ 873,750	\$ 3,339,506	\$ 3,137,572
Payroll taxes and employee benefits (Note 8)	241,308	302,730	544,038	67,316	125,466	192,782	736,820	622,467
Total Salaries and Related Costs	1,334,994	1,674,800	3,009,794	372,415	694,117	1,066,532	4,076,326	3,760,039
Grants (Notes 2M and 9)	4,722,408	-	4,722,408	-	-	-	4,722,408	4,964,065
Advocacy	255,000	-	255,000	-	-	-	255,000	180,000
Facilities rent and other (Note 11)	48,487	153,517	202,004	74,290	65,580	139,870	341,874	362,428
Printing	74,994	180,998	255,992	18,321	44,635	62,956	318,948	262,849
Postage and shipping	38,743	128,302	167,045	18,470	30,316	48,786	215,831	202,243
Supplies	74,876	44,656	119,532	14,430	34,203	48,633	168,165	106,403
Travel	127,115	129,872	256,987	20,766	54,036	74,802	331,789	274,583
Conference, meetings, and events	307,187	759,852	1,067,039	116,936	472,120	589,056	1,656,095	1,530,735
Camp expenses	-	72,750	72,750	-	-	-	72,750	52,500
Insurance	3,800	10,299	14,099	6,347	5,143	11,490	25,589	37,113
Information technology	74,903	125,697	200,600	54,630	53,675	108,305	308,905	319,469
Professional fees	455,212	170,746	625,958	45,947	99,303	145,250	771,208	692,442
Accounting and legal	-	-	-	98,580	-	98,580	98,580	30,516
Dues and other fees	119,983	99,607	219,590	55,634	46,573	102,207	321,797	342,824
Food and beverage	254,550	83,217	337,767	19,679	32,646	52,325	390,092	341,534
Telephone	9,011	25,753	34,764	14,445	12,752	27,197	61,961	48,863
Equipment rental and maintenance	1,946	5,189	7,135	3,243	2,594	5,837	12,972	16,337
Recruitments	1,738	1,577	3,315	889	803	1,692	5,007	37,164
Temporary services	986	2,629	3,615	1,643	1,315	2,958	6,573	46,304
Advertising (Note 2L)	2,614	19,527	22,141	1,364	5,074	6,438	28,579	157,383
Donated advertising (Note 2F)	-	625,000	625,000	-	-	-	625,000	314,366
Promotional apparel	16,529	78,151	94,680	14,928	25,061	39,989	134,669	340,257
Bad debt	-	-	-	10,045	-	10,045	10,045	9,873
Miscellaneous	2,923	4,486	7,409	2,355	2,315	4,670	12,079	77,140
Depreciation and amortization (Note 5)	7,872	20,992	28,864	13,120	10,495	23,615	52,479	21,975
TOTAL EXPENSES	\$ 7,935,871	\$ 4,417,617	\$ 12,353,488	\$ 978,477	\$ 1,692,756	\$ 2,671,233	\$ 15,024,721	\$ 14,529,405

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services			Supporting Services			Total 2014
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,108,919	\$ 1,285,685	\$ 2,394,604	\$ 235,419	\$ 507,549	\$ 742,968	\$ 3,137,572
Payroll taxes and employee benefits (Note 8)	220,000	255,069	475,069	46,705	100,693	147,398	622,467
Total Salaries and Related Costs	1,328,919	1,540,754	2,869,673	282,124	608,242	890,366	3,760,039
Grants (Notes 2M and 9)	4,964,065	-	4,964,065	-	-	-	4,964,065
Advocacy	180,000	-	180,000	-	-	-	180,000
Facilities rent and other (Note 11)	52,790	140,774	193,564	87,984	80,880	168,864	362,428
Printing	96,725	96,711	193,436	28,648	40,765	69,413	262,849
Postage and shipping	36,242	121,247	157,489	15,131	29,623	44,754	202,243
Supplies	64,362	20,835	85,197	8,619	12,587	21,206	106,403
Travel	113,688	105,895	219,583	18,493	36,507	55,000	274,583
Conference, meetings, and events	392,837	673,129	1,065,966	107,309	357,460	464,769	1,530,735
Camp expenses	-	52,500	52,500	-	-	-	52,500
Insurance	5,436	15,192	20,628	9,034	7,451	16,485	37,113
Information technology	95,661	107,799	203,460	60,689	55,320	116,009	319,469
Professional fees	369,440	185,674	555,114	46,479	90,849	137,328	692,442
Accounting and legal	-	-	-	30,516	-	30,516	30,516
Dues and other fees	115,107	109,873	224,980	63,525	54,319	117,844	342,824
Food and beverage	211,683	84,290	295,973	16,337	29,224	45,561	341,534
Telephone	6,313	22,010	28,323	10,155	10,385	20,540	48,863
Equipment rental and maintenance	2,329	7,264	9,593	3,598	3,146	6,744	16,337
Recruitments	5,575	14,865	20,440	9,291	7,433	16,724	37,164
Temporary services	6,946	18,521	25,467	11,576	9,261	20,837	46,304
Advertising (Note 2L)	3,935	110,168	114,103	-	43,280	43,280	157,383
Donated advertising (Note 2F)	-	314,366	314,366	-	-	-	314,366
Promotional apparel	95,644	164,011	259,655	18,589	62,013	80,602	340,257
Bad debt	-	-	-	9,873	-	9,873	9,873
Miscellaneous	17,122	39,882	57,004	9,503	10,633	20,136	77,140
Depreciation and amortization (Note 5)	3,296	8,790	12,086	5,494	4,395	9,889	21,975
TOTAL EXPENSES	\$ 8,168,115	\$ 3,954,550	\$ 12,122,665	\$ 852,967	\$ 1,553,773	\$ 2,406,740	\$ 14,529,405

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 89,933	\$ 1,526,202
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	52,479	21,975
Realized (gain) loss on investments	(1,048)	425
Unrealized gain on investments	(5,218)	(271,952)
Bad debt	10,045	9,873
Loss on disposal of property and equipment	-	19,461
Donated securities	(60,244)	(328,998)
Subtotal	85,947	976,986
Changes in assets and liabilities:		
Increase or (decrease) in assets:		
Pledges and other receivables	860,858	(1,856,861)
Prepaid expenses and other	195,344	(172,869)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(147,010)	73,679
Grants payable	(100,896)	651,246
Deferred rent and other liabilities	(3,912)	(3,913)
Net Cash Provided by (Used in) Operating Activities	890,331	(331,732)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,883,483	237,952
Purchases of investments	(2,027,405)	(337,904)
Purchases of property and equipment	(84,529)	(207,124)
Net Cash Used in Investing Activities	(228,451)	(307,076)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	661,880	(638,808)
Cash and cash equivalents - beginning of year	3,368,762	4,007,570
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,030,642	\$ 3,368,762

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1—NATURE OF THE ORGANIZATION

The Children's Tumor Foundation, Inc. (the "Foundation") was incorporated in 1978. The Foundation is a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar rules in New York State. It has been designated as a publically supported organization which is not a private foundation and accordingly, does not provide for state and federal income taxes. The Foundation was formed to sponsor scientific research aimed at finding the cause and effective treatment for neurofibromatosis, to promote the development of diagnostic procedures and assist in the development of clinical centers in the United States and to develop programs that will increase public awareness of neurofibromatosis. The Foundation's by-laws provide for the reporting entity to include a number of unincorporated chapters and affiliates. These financial statements include the operating results of the Foundation's national office and chapters/affiliates located throughout the United States.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets represent the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – Includes funds with donor-imposed restrictions which permit the Foundation to expend the assets as specified and are satisfied either by passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, and investment income earned on restricted funds.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets. The Foundation has no permanently restricted net assets.

- C. The Foundation allocates expenses on a functional basis among its various programs and support services. Expenses that can be identified as belonging to a specific program and/or support services are allocated directly according to their natural expenditure classification.
- D. The Foundation records rent expense for operating leases with scheduled rent increases for free rent periods on a straight-line basis over the term of the lease with the difference between the expense and rental payments recorded as an increase or decrease to the deferred rent liability in the statements of financial position.
- E. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at fair value. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction's conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. The Foundation reports gifts of media time and space, land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Such donations are recorded at their estimated fair value on the date received. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Donated advertising is the largest recorded contribution in kind and amounted to \$625,000 and \$314,366 for the years ended December 31, 2015 and 2014, respectively.

The Foundation pays for services requiring specific expertise. However, success in conducting and reaching its mission is also dependent on attracting the many individuals that volunteer their time and perform a variety of tasks that assist the Foundation with specific programs, campaign solicitations and fund raising events. However, these donated services are not reflected in the financial statements since the services do not require specialized skills. Specialized services which are donated and are quantified are reflected in the statement of activities at their fair value on the date of receipt. Significant materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. For the years ended December 31, 2015 and 2014, the Foundation recognized contributed goods used for fundraising in the amount of \$147,851 and \$98,455, respectively.

G. Bequests are recognized when a will has passed through probate and the Foundation is notified that all disputes are resolved and funds are forthcoming.

H. Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are computed using risk-adjusted interest rates applicable to the years in which the promises are received unless such discount is immaterial. Conditional promises to give are not included as support until the conditions are substantially met. The Foundation considers pledged and other receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been established.

I. The Foundation considers all highly liquid investments with a maturity of three months or less when acquired to be cash and cash equivalents, except for money market funds held in the Foundation's investment accounts.

J. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investments received by gift are initially recorded at their fair value on the date of the gift. Unrealized gains or losses are included in the change in net assets.

K. Property and equipment is reflected at cost, if purchased, or if donated, at fair market value at the date of receipt. The cost of maintenance and repairs is charged to expense as incurred while significant renewals and betterments are capitalized. The Foundation capitalizes additions and significant improvements in excess of \$1,500 with a useful life of two years or more. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the lesser of their useful life or the remaining term of the lease.

L. The Foundation uses advertising and media for public education and relations to promote its national programs. Advertising costs are expensed as incurred.

M. The Foundation approves research and fellowship grant awards subject to periodic reviews of performance. These grants generally are payable in installments over a period of two or three years, upon the approval and acceptance of periodic progress reports provided to the Foundation by the award recipients. Most grants are fully accrued once the recipients accept the grant awards. Unless material, the Foundation does not discount commitments to be paid later than one year to present value. Grants and fellowships are subject to automatic forfeiture if the award recipients do not comply with award stipulations.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- N. The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. These costs are netted against special events revenue and amounted to approximately \$405,000 and \$386,000 for the years ended December 31, 2015 and 2014, respectively.
- O. The preparation of financial statements in conformity with U.S. GAAP requires the Foundation's management to make estimates and assumptions. These 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.
- P. Certain line items in the 2014 financial statements have been reclassified to conform to the 2015 financial statement presentation.

NOTE 3—PLEDGES AND OTHER RECEIVABLES

Pledges due to the Foundation as of December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Individuals	\$ 1,787,098	\$ 2,078,206
Foundations	150,550	591,470
Corporations	<u>21,700</u>	<u>160,575</u>
	<u>\$ 1,959,348</u>	<u>\$ 2,830,251</u>

As of December 31, 2015 and 2014, pledges and other receivables are scheduled to be received as follows:

	<u>2015</u>	<u>2014</u>
Amount due in less than one year	\$ 1,392,681	\$ 1,935,251
Amount due in one to five years	<u>566,667</u>	<u>895,000</u>
	<u>\$ 1,959,348</u>	<u>\$ 2,830,251</u>

NOTE 4—INVESTMENTS

Investments consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equities and equity mutual funds	\$ 4,851,401	\$ 3,551,274
Money market funds	1,382,130	2,536,295
Exchange traded funds	263,897	199,427
Land (see below)	<u>62,500</u>	<u>62,500</u>
	<u>\$ 6,559,928</u>	<u>\$ 6,349,496</u>

All investments other than land are classified as Level 1 in the fair value hierarchy (as defined on the next page). Land is classified as Level 3.

In 2006, the Foundation received a parcel of land located in Arizona valued at \$125,000. During 2009, the Foundation revalued this land due to a downturn in the real estate market in that region. As of December 31, 2015 and 2014, the land was recorded at its estimated fair value of \$62,500.

Investments are subject to market volatility, which could substantially change the carrying value in the near term.

**CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4—INVESTMENTS (Continued)

Investment activity consists of the following for the years ended December 31, 2015 and 2014:

	2015	2014
Interest and dividends	\$ 66,963	\$ 56,289
Realized gains (losses)	1,048	(425)
Unrealized gains	5,218	271,952
	\$ 73,229	\$ 327,816

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in money market funds, mutual funds, exchange traded funds and equities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in land are designated as Level 3.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2015 and 2014, there were no transfers.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 67,801	\$ 49,983	3-5 years
Furniture and fixtures	24,550	24,550	6-7 years
Leasehold improvements	175,889	173,519	3-10 years
Software	<u>162,405</u>	<u>98,064</u>	3 years
Total	430,645	346,116	
Less accumulated depreciation and amortization	<u>(174,212)</u>	<u>(121,733)</u>	
Net book value	<u>\$ 256,433</u>	<u>\$ 224,383</u>	

Depreciation and amortization expense amounted to \$52,479 and \$21,975 for the years ended December 31, 2015 and 2014, respectively. Property and equipment having an original carrying cost of \$37,374 and related depreciation of \$17,913 was written off during the year ended December 31, 2014.

NOTE 6—ASSETS HELD IN TRUST

The Foundation is in possession of trust assets with conditions imposed by the settlor in a trust. The Foundation has agreed that all trust assets received will be held and invested at the discretion of the Foundation. All income except unrealized gains generated by these investments is to be used for research purposes and none of the corpus can be expended. When certain conditions are fulfilled by the Foundation, the original trust corpus is to be forwarded to another not for profit organization as stipulated in the trust document. As of December 31, 2015 and 2014, assets held in trust amounted to \$129,563 and \$187,950, respectively. The liability associated with the principal of the trust of \$195,800 as of December 31, 2015 and 2014, is recorded as a liability in the accompanying statements of financial position.

NOTE 7—BOARD DESIGNATED NET ASSETS

The Foundation's Board of Directors established an unrestricted endowment account. While recorded in the statements of financial position as unrestricted, the Board of Directors has imposed an internal restriction on the use of these funds. Invasions of principal or interest may not be made without the approval of the Board of Directors. All bequests and memorial contributions received by the Foundation are deposited into this fund.

NOTE 8—PENSION PLAN

The Foundation offers a 401(k) retirement plan (the "Plan") to all full-time employees. Under the terms of the Plan, employees who participate may contribute up to an annual maximum allowable limitation as established in the Internal Revenue Code. Additionally, after one year of employment, employees are entitled to a Foundation contribution (currently 3% of salary) which is 100% vested to the employees. Pension expense for the years ended December 31, 2015 and 2014, amounted to \$70,553 and \$97,994, respectively.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9—GRANTS PAYABLE

Details of grant awards as of and for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Grants payable, beginning of year	\$ 2,316,941	\$ 1,665,695
Grants awarded during the year	4,722,408	4,964,065
Grants disbursed during the year	(5,670,676)	(4,312,819)
Prior year grants returned	<u>847,372</u>	<u>-</u>
Grants payable, end of year	<u>\$ 2,216,045</u>	<u>\$ 2,316,941</u>

Grants payable are scheduled to be paid subsequent to December 31, 2015, as follows:

2016	\$ 2,003,926
2017	<u>212,119</u>
	<u>\$ 2,216,045</u>

NOTE 10—CONCENTRATIONS

Cash that potentially subjects the Foundation to a concentration of credit risk includes cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor. As of December 31, 2015 and 2014, there was approximately \$3,511,000 and \$2,410,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 11—COMMITMENTS AND CONTINGENCIES

- A. The Foundation has a lease for its national office expiring on June 30, 2019. The lease was amended in June 2012 to include an expansion of the total space leased. The base monthly rent from June 1, 2009 to June 1, 2012 was \$14,147. The base rent increased to \$19,297 for the first five years of the amended lease, through May 2017, and the base monthly rent increases again to \$19,812 for the remaining term of the lease, plus escalation clauses for real estate taxes, operating expenses and utilities. The lease agreement additionally stipulated the first two months were rent-free and, accordingly, a liability for this reduction is being amortized over the ten-year lease term.

Approximate future minimum lease payments are as follows for the years after December 31, 2015:

2016	\$ 241,000
2017	242,000
2018	237,000
2019	<u>121,000</u>
	<u>\$ 841,000</u>

Additionally, the Foundation leases office space for certain chapter/affiliate operations on a month-to-month basis. Currently, monthly rent expenses for leased locations amount to approximately \$2,600. Total rent expense, inclusive of operating charges, amounted to \$310,532 and \$299,073 for the years ended December 31, 2015 and 2014, respectively.

- B. The Foundation believes it has no uncertain tax positions as of December 31, 2015 and 2014, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 12—TEMPORARILY RESTRICTED NET ASSETS AND BOARD DESIGNATED FUNDS

A. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2015 and 2014, are restricted for the following purposes:

<u>Source</u>	<u>Purpose</u>	<u>2015</u>	<u>2014</u>
Individuals	Preclinical Consortium	\$ 377,322	\$ 377,322
Individuals	General Research	15,000	25,000
Individuals	Therapeutic Consortium	-	354,128
Individuals	Schwannomatosis	181,709	332,315
Individuals	Neurofibromatosis	-	250,000
Individuals	Biobank Initiative	-	23,694
Individuals	Synodos	1,564,405	1,363,791
Foundation	Synodos	470,764	544,900
Foundation	General Research	1,166,351	-
Foundation	Preclinical Consortium	257,578	-
Foundation	Schwannomatosis	109,099	-
Foundation	Family Funds	-	1,765
		<u>\$ 4,142,228</u>	<u>\$ 3,272,915</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the years ended December 31, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Preclinical Consortium	\$ 342,422	\$ 447,705
General Research	343,625	1,126,868
Therapeutic Consortium	354,128	-
Schwannomatosis	163,611	125,000
Neurofibromatosis	405,900	56,425
Biobank Initiative	23,694	127,699
Synodos	2,594,680	1,355,966
Other	98,276	129,218
	<u>\$ 4,326,336</u>	<u>\$ 3,368,881</u>

B. Endowment Net Assets

The Foundation adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA provides for a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. The Foundation had no donor-restricted permanent endowment funds subject to the appropriation provisions of NYPMIFA as of December 31, 2015 and 2014.

FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds," now codified at ASC 958-205, provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). ASC 958-205 also improves disclosure about an organization's endowment funds, whether or not the organization is subject to UPMIFA.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12—TEMPORARILY RESTRICTED NET ASSETS AND BOARD DESIGNATED FUNDS (Continued)

The Foundation maintains a Board designated endowment fund as further described in Note 7. However, this fund is not subject to the appropriation provisions of NYPMIFA and, therefore, the Foundation has implemented only the disclosure guidance provided for in ASC 958-205.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through July 25, 2016, the date the financial statements were available to be issued.