



Children's Tumor Foundation, Inc.

**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2016 and 2015

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, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
May 15, 2017

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Notes 2I and 10)	\$ 5,848,486	\$ 4,030,642
Pledges and other receivables (Notes 2H and 3)	1,098,672	1,959,348
Investments (Notes 2J and 4)	6,416,323	6,559,928
Prepaid expenses and other	178,135	250,375
Security deposit	16,516	16,516
Property and equipment, net (Notes 2K and 5)	246,171	256,433
TOTAL ASSETS	\$ 13,804,303	\$ 13,073,242
LIABILITIES		
Accounts payable and accrued expenses	\$ 318,011	\$ 209,246
Grants payable (Notes 2M and 9)	1,814,959	2,216,045
Deferred rent and other liabilities (Note 2D)	10,721	13,696
Assets held in trust (Note 6)	195,800	195,800
TOTAL LIABILITIES	2,339,491	2,634,787
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Unrestricted:		
Board designated (Notes 7 and 12B)	6,388,702	5,979,253
Operations	284,585	316,974
Total Unrestricted	6,673,287	6,296,227
Temporarily restricted (Note 12A)	4,791,525	4,142,228
TOTAL NET ASSETS	11,464,812	10,438,455
TOTAL LIABILITIES AND NET ASSETS	\$ 13,804,303	\$ 13,073,242

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, 2016 AND 2015

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total 2016	Total 2015	Unrestricted	Temporarily Restricted
OPERATING SUPPORT AND REVENUE:						
Contributions - individuals (Note 2E)	\$ 1,623,270	\$ 1,216,600	\$ 2,839,870	\$ 4,476,610	\$ 2,132,041	\$ 2,344,569
Contributions - corporations and foundations (Note 2E)	350,587	2,854,352	3,204,939	3,499,807	648,727	2,851,080
Bequests (Note 2G)	102,522	-	102,522	508	508	-
Contributed goods and services (Note 2F)	763,721	-	763,721	772,851	772,851	-
Other income	41,162	-	41,162	56,252	56,252	-
	<u>2,881,262</u>	<u>4,070,952</u>	<u>6,952,214</u>	<u>8,806,028</u>	<u>3,610,379</u>	<u>5,195,649</u>
Special event revenue:						
Special event revenue	8,598,565	-	8,598,565	6,640,698	6,640,698	-
Less: direct benefits to donors (Note 2N)	(450,809)	-	(450,809)	(405,301)	(405,301)	-
Special event revenue, net	<u>8,147,756</u>	<u>-</u>	<u>8,147,756</u>	<u>6,235,397</u>	<u>6,235,397</u>	<u>-</u>
Net assets released from restrictions (Notes 2E and 12A)	<u>3,421,655</u>	<u>(3,421,655)</u>	<u>-</u>	<u>-</u>	<u>4,326,336</u>	<u>(4,326,336)</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>14,450,673</u>	<u>649,297</u>	<u>15,099,970</u>	<u>15,041,425</u>	<u>14,172,112</u>	<u>869,313</u>
OPERATING EXPENSES:						
Program services:						
Research and medical	6,808,309	-	6,808,309	7,935,871	7,935,871	-
Public education and patient support	4,667,514	-	4,667,514	4,417,617	4,417,617	-
Total program services	<u>11,475,823</u>	<u>-</u>	<u>11,475,823</u>	<u>12,353,488</u>	<u>12,353,488</u>	<u>-</u>
Supporting services:						
Management and general	1,039,689	-	1,039,689	978,477	978,477	-
Fundraising	1,862,625	-	1,862,625	1,692,756	1,692,756	-
Total supporting services	<u>2,902,314</u>	<u>-</u>	<u>2,902,314</u>	<u>2,671,233</u>	<u>2,671,233</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>14,378,137</u>	<u>-</u>	<u>14,378,137</u>	<u>15,024,721</u>	<u>15,024,721</u>	<u>-</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>72,536</u>	<u>649,297</u>	<u>721,833</u>	<u>16,704</u>	<u>(852,609)</u>	<u>869,313</u>
NON-OPERATING REVENUE:						
Investment activity (Note 4)	<u>304,524</u>	<u>-</u>	<u>304,524</u>	<u>73,229</u>	<u>73,229</u>	<u>-</u>
TOTAL NON-OPERATING REVENUE	<u>304,524</u>	<u>-</u>	<u>304,524</u>	<u>73,229</u>	<u>73,229</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>377,060</u>	<u>649,297</u>	<u>1,026,357</u>	<u>89,933</u>	<u>(779,380)</u>	<u>869,313</u>
Net assets - beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 6,673,287</u>	<u>\$ 4,791,525</u>	<u>\$ 11,464,812</u>	<u>\$ 10,438,455</u>	<u>\$ 6,296,227</u>	<u>\$ 4,142,228</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, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	For the Year Ended December 31, 2016							
	Program Services			Supporting Services				
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2016	Total 2015
Salaries	\$ 1,280,246	\$ 1,486,225	\$ 2,766,471	\$ 346,863	\$ 582,820	\$ 929,683	\$ 3,696,154	\$ 3,339,506
Payroll taxes and employee benefits (Note 8)	318,109	369,290	687,399	86,187	144,816	231,003	918,402	736,820
Total Salaries and Related Costs	1,598,355	1,855,515	3,453,870	433,050	727,636	1,160,686	4,614,556	4,076,326
Grants (Notes 2M and 9)	3,605,700	-	3,605,700	-	-	-	3,605,700	4,722,408
Advocacy	270,000	-	270,000	-	-	-	270,000	255,000
Facilities rent and other (Note 11)	53,927	143,804	197,731	89,878	71,902	161,780	359,511	341,874
Printing	50,798	168,480	219,278	16,069	39,907	55,976	275,254	318,948
Postage and shipping	34,630	110,954	145,584	14,307	26,909	41,216	186,800	215,831
Supplies	13,153	34,026	47,179	5,102	13,050	18,152	65,331	168,165
Travel	108,005	126,715	234,720	18,563	38,661	57,224	291,944	331,789
Conference, meetings, and events	316,254	1,055,289	1,371,543	168,559	670,306	838,865	2,210,408	1,656,095
Camp expenses	-	103,500	103,500	-	-	-	103,500	72,750
Insurance	8,190	21,840	30,030	13,650	10,920	24,570	54,600	25,589
Information technology	57,597	136,308	193,905	47,203	59,400	106,603	300,508	308,905
Professional fees	373,849	128,582	502,431	22,114	46,291	68,405	570,836	771,208
Accounting and legal	-	-	-	62,383	-	62,383	62,383	98,580
Dues and other fees	89,231	109,655	198,886	62,321	52,659	114,980	313,866	321,797
Food and beverage	196,447	137,719	334,166	19,911	34,311	54,222	388,388	390,092
Telephone	9,292	23,885	33,177	14,486	11,799	26,285	59,462	61,961
Equipment rental and maintenance	2,834	7,557	10,391	4,723	3,778	8,501	18,892	12,972
Recruitments	295	788	1,083	492	394	886	1,969	5,007
Temporary services	-	-	-	-	-	-	-	6,573
Advertising (Note 2L)	584	9,502	10,086	816	3,626	4,442	14,528	28,579
Donated advertising (Note 2F)	-	366,000	366,000	-	-	-	366,000	625,000
Promotional apparel	1,667	82,747	84,414	7,358	29,836	37,194	121,608	134,669
Bad debt	-	-	-	12,875	-	12,875	12,875	10,045
Miscellaneous	2,024	3,377	5,401	36	604	640	6,041	12,079
Depreciation and amortization (Note 5)	15,477	41,271	56,748	25,793	20,636	46,429	103,177	52,479
TOTAL EXPENSES	\$ 6,808,309	\$ 4,667,514	\$ 11,475,823	\$ 1,039,689	\$ 1,862,625	\$ 2,902,314	\$ 14,378,137	\$ 15,024,721

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

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

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,026,357	\$ 89,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	103,177	52,479
Realized loss (gain) on investments	117	(1,048)
Unrealized gain on investments	(194,431)	(5,218)
Bad debt	12,875	10,045
Donated securities	(109,448)	(60,244)
Subtotal	838,647	85,947
Changes in assets and liabilities:		
(Increase) or decrease in assets:		
Pledges and other receivables	847,801	860,858
Prepaid expenses and other	72,240	195,344
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	108,765	(147,010)
Grants payable	(401,086)	(100,896)
Deferred rent and other liabilities	(2,975)	(3,912)
Net Cash Provided by Operating Activities	1,463,392	890,331
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	6,862,922	1,883,483
Purchases of investments	(6,415,555)	(2,027,405)
Purchases of property and equipment	(92,915)	(84,529)
Net Cash Provided by (Used in) Investing Activities	354,452	(228,451)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,817,844	661,880
Cash and cash equivalents - beginning of year	4,030,642	3,368,762
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,848,486	\$ 4,030,642

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

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1—NATURE OF THE ORGANIZATION

The Children's Tumor Foundation, Inc. (the "Foundation") was incorporated in 1978 as a not-for-profit corporation under the laws of the State of New York and is exempt from Federal 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.

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
DECEMBER 31, 2016 AND 2015

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 \$366,000 and \$625,000 for the years ended December 31, 2016 and 2015, 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 statements of activities at their fair value on the date of receipt. For the years ended December 31, 2016 and 2015, the Foundation recognized contributed services in the amounts of \$31,591 and \$0, respectively. 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, 2016 and 2015, the Foundation recognized contributed goods used for fundraising in the amount of \$366,130 and \$147,851, 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
DECEMBER 31, 2016 AND 2015

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 \$451,000 and \$405,000 for the years ended December 31, 2016 and 2015, respectively.
- O. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

NOTE 3—PLEDGES AND OTHER RECEIVABLES

Pledges and other receivables due to the Foundation consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Individuals	\$ 978,172	\$ 1,787,098
Foundations	110,000	150,550
Corporations	<u>10,500</u>	<u>21,700</u>
	<u>\$ 1,098,672</u>	<u>\$ 1,959,348</u>

As of December 31, 2016 and 2015, pledges and other receivables are scheduled to be received as follows:

	<u>2016</u>	<u>2015</u>
Amount due in less than one year	\$ 1,098,672	\$ 1,392,681
Amount due in one to five years	<u>-</u>	<u>566,667</u>
	<u>\$ 1,098,672</u>	<u>\$ 1,959,348</u>

NOTE 4—INVESTMENTS

Investments consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equities and equity mutual funds	\$ 5,069,363	\$ 4,851,401
Money market funds	993,555	1,382,130
Exchange traded funds	290,905	263,897
Land (see below)	<u>62,500</u>	<u>62,500</u>
	<u>\$ 6,416,323</u>	<u>\$ 6,559,928</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, 2016 and 2015, 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
DECEMBER 31, 2016 AND 2015

NOTE 4—INVESTMENTS (Continued)

Investment activity consists of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 110,210	\$ 66,963
Realized (loss) gain	(117)	1,048
Unrealized gains	194,431	5,218
	\$ 304,524	\$ 73,229

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, 2016 and 2015, there were no transfers.

**CHILDREN'S TUMOR FOUNDATION, INC.
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NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 69,399	\$ 67,801	3-5 years
Furniture and fixtures	24,550	24,550	6-7 years
Leasehold improvements	175,889	175,889	3-10 years
Software	<u>253,722</u>	<u>162,405</u>	3 years
 Total	 523,560	 430,645	
 Less accumulated depreciation and amortization	 <u>(277,389)</u>	 <u>(174,212)</u>	
 Net book value	 <u>\$ 246,171</u>	 <u>\$ 256,433</u>	

Depreciation and amortization expense amounted to \$103,177 and \$52,479 for the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015, assets held in trust amounted to \$130,237 and \$129,563, respectively. The liability associated with the principal of the trust of \$195,800 as of December 31, 2016 and 2015, 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 designation 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 4% of salary) which is 100% vested to the employees. Pension expense for the years ended December 31, 2016 and 2015, amounted to \$132,014 and \$70,553, respectively.

CHILDREN'S TUMOR FOUNDATION, INC.
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NOTE 9—GRANTS PAYABLE

Details of grant awards as of and for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Grants payable, beginning of year	\$ 2,216,045	\$ 2,316,941
Grants awarded during the year	3,605,700	4,722,408
Grants disbursed during the year	(4,817,113)	(5,670,676)
Prior year grants returned (see Note 2M)	<u>810,327</u>	<u>847,372</u>
Grants payable, end of year	<u>\$ 1,814,959</u>	<u>\$ 2,216,045</u>

Grants payable are scheduled to be paid subsequent to December 31, 2016, as follows:

2017	\$ 953,723
2018	<u>861,236</u>
	<u>\$ 1,814,959</u>

NOTE 10—CONCENTRATIONS

- A. 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, 2016 and 2015, there was approximately \$4,906,000 and \$3,511,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.
- B. For the years ended December 31, 2016 and 2015, the Foundation's pledges and other receivables includes a pledge from an individual amounting to \$500,000 (46% of total pledges and other receivables) and \$877,014 (45% of total pledges and other receivables), respectively.

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.

The Foundation is obligated under various lease agreements for the use of equipment through 2021.

Approximate future minimum lease payments are as follows for the years ending after December 31, 2016:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 235,000	\$ 20,000	\$ 255,000
2018	238,000	15,000	253,000
2019	119,000	13,000	132,000
2020	-	13,000	13,000
2021	<u>-</u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 592,000</u>	<u>\$ 65,000</u>	<u>\$ 657,000</u>

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11—COMMITMENTS AND CONTINGENCIES (Continued)

Additionally, the Foundation leases office space for certain chapter/affiliate operations on a month-to-month basis. As of December 31, 2016, monthly rent expenses for leased locations amounted to approximately \$2,600. Total rent expense, inclusive of operating charges, amounted to \$359,152 and \$340,856 for the years ended December 31, 2016 and 2015, respectively.

- B. The Foundation believes it has no uncertain tax positions as of December 31, 2016 and 2015, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 12—TEMPORARILY RESTRICTED NET ASSETS AND BOARD DESIGNATED FUNDS

A. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016 and 2015, are restricted for the following purposes:

<u>Source</u>	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
Individuals	Preclinical Consortium	\$ -	\$ 377,322
Individuals	General Research	-	15,000
Individuals	Schwannomatosis	231,607	181,709
Individuals	Synodos	563,475	1,564,405
Individuals	Other	103,294	-
Foundation	Synodos	1,000	470,764
Foundation	General Research	-	1,166,351
Foundation	Preclinical Consortium	-	257,578
Foundation	Schwannomatosis	7,000	109,099
Foundation	Neurofibromatosis	300	-
Foundation	Other	348,406	-
Foundation	Family Funds	<u>3,536,443</u>	<u>-</u>
		<u>\$ 4,791,525</u>	<u>\$ 4,142,228</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, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Preclinical Consortium	\$ 377,322	\$ 342,422
General Research	369,484	343,625
Therapeutic Consortium	-	354,128
Schwannomatosis	58,490	163,611
Neurofibromatosis	164,477	405,900
Biobank Initiative	37,500	23,694
Synodos	1,655,477	2,594,680
Drug Discovery Initiative	95,000	-
Other	<u>663,905</u>	<u>98,276</u>
	<u>\$ 3,421,655</u>	<u>\$ 4,326,336</u>

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

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, 2016 and 2015.

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.

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 May 15, 2017, the date the financial statements were available to be issued.