



Children's Tumor Foundation, Inc.

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

Years Ended December 31, 2017 and 2016

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, 2017 AND 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities.....	3
Statements of Functional Expenses	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-14

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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
May 15, 2018

**CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2I and 10A)	\$ 2,750,298	\$ 5,848,486
Pledges and other receivables (Notes 2H, 3 and 10B)	638,417	1,098,672
Investments (Notes 2J and 4)	8,427,852	6,416,323
Prepaid expenses and other	168,232	178,135
Security deposit	16,516	16,516
Property and equipment, net (Notes 2K and 5)	133,122	246,171
TOTAL ASSETS	\$ 12,134,437	\$ 13,804,303
LIABILITIES		
Accounts payable and accrued expenses	\$ 303,481	\$ 318,011
Grants payable (Notes 2M and 9)	930,007	1,814,959
Deferred rent and other liabilities (Note 2D)	6,003	10,721
Assets held in trust (Note 6)	195,800	195,800
TOTAL LIABILITIES	1,435,291	2,339,491
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Unrestricted (Notes 7 and 12B)	5,989,161	6,673,287
Temporarily restricted (Note 12A)	4,709,985	4,791,525
TOTAL NET ASSETS	10,699,146	11,464,812
TOTAL LIABILITIES AND NET ASSETS	\$ 12,134,437	\$ 13,804,303

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, 2017 AND 2016

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted
OPERATING SUPPORT AND REVENUE:						
Contributions - individuals (Note 2E)	\$ 3,993,562	\$ 1,388,647	\$ 5,382,209	\$ 2,839,870	\$ 1,623,270	\$ 1,216,600
Contributions - corporations and foundations (Note 2E)	2,188,431	1,097,427	3,285,858	3,204,939	350,587	2,854,352
Bequests (Notes 2G and 7)	10,016	-	10,016	102,522	102,522	-
Contributed goods and services (Note 2F)	80,418	-	80,418	763,721	763,721	-
Other income (Note 2M)	491,993	-	491,993	851,491	851,491	-
	<u>6,764,420</u>	<u>2,486,074</u>	<u>9,250,494</u>	<u>7,762,543</u>	<u>3,691,591</u>	<u>4,070,952</u>
Special event revenue:						
Special event revenue	2,600,665	-	2,600,665	8,598,565	8,598,565	-
Less: direct benefits to donors (Note 2N)	(461,433)	-	(461,433)	(450,809)	(450,809)	-
Special event revenue, net	<u>2,139,232</u>	<u>-</u>	<u>2,139,232</u>	<u>8,147,756</u>	<u>8,147,756</u>	<u>-</u>
Net assets released from restrictions (Notes 2E and 12A)	<u>2,567,614</u>	<u>(2,567,614)</u>	<u>-</u>	<u>-</u>	<u>3,421,655</u>	<u>(3,421,655)</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>11,471,266</u>	<u>(81,540)</u>	<u>11,389,726</u>	<u>15,910,299</u>	<u>15,261,002</u>	<u>649,297</u>
OPERATING EXPENSES:						
Program services:						
Research and medical	8,215,708	-	8,215,708	7,618,638	7,618,638	-
Public education and patient support	2,116,742	-	2,116,742	4,667,514	4,667,514	-
Total program services	<u>10,332,450</u>	<u>-</u>	<u>10,332,450</u>	<u>12,286,152</u>	<u>12,286,152</u>	<u>-</u>
Supporting services:						
Management and general	968,659	-	968,659	1,039,689	1,039,689	-
Fundraising	1,419,382	-	1,419,382	1,862,625	1,862,625	-
Total supporting services	<u>2,388,041</u>	<u>-</u>	<u>2,388,041</u>	<u>2,902,314</u>	<u>2,902,314</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>12,720,491</u>	<u>-</u>	<u>12,720,491</u>	<u>15,188,466</u>	<u>15,188,466</u>	<u>-</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(1,249,225)</u>	<u>(81,540)</u>	<u>(1,330,765)</u>	<u>721,833</u>	<u>72,536</u>	<u>649,297</u>
NON-OPERATING REVENUE:						
Investment activity (Note 4)	565,099	-	565,099	304,524	304,524	-
TOTAL NON-OPERATING REVENUE	<u>565,099</u>	<u>-</u>	<u>565,099</u>	<u>304,524</u>	<u>304,524</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(684,126)</u>	<u>(81,540)</u>	<u>(765,666)</u>	<u>1,026,357</u>	<u>377,060</u>	<u>649,297</u>
Net assets - beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 5,989,161</u>	<u>\$ 4,709,985</u>	<u>\$ 10,699,146</u>	<u>\$ 11,464,812</u>	<u>\$ 6,673,287</u>	<u>\$ 4,791,525</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, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	For the Year Ended December 31, 2017							
	Program Services			Supporting Services				
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017	Total 2016
Salaries	\$ 1,522,269	\$ 842,654	\$ 2,364,923	\$ 394,940	\$ 662,819	\$ 1,057,759	\$ 3,422,682	\$ 3,696,154
Payroll taxes and employee benefits (Note 8)	280,922	212,161	493,083	121,420	144,039	265,459	758,542	918,402
Total Salaries and Related Costs	1,803,191	1,054,815	2,858,006	516,360	806,858	1,323,218	4,181,224	4,614,556
Grants (Notes 2M and 9)	4,567,848	-	4,567,848	-	-	-	4,567,848	4,595,569
Advocacy	270,000	-	270,000	-	-	-	270,000	270,000
Rent (Note 11)	184,929	54,482	239,411	54,482	27,241	81,723	321,134	359,511
Printing	97,128	128,605	225,733	15,029	44,235	59,264	284,997	275,254
Postage and shipping	57,025	88,856	145,881	25,212	28,121	53,333	199,214	186,800
Supplies	26,334	7,860	34,194	2,784	16,084	18,868	53,062	65,331
Travel	90,132	63,714	153,846	11,722	26,103	37,825	191,671	291,944
Conference, meetings, and events	292,567	171,324	463,891	39,573	215,519	255,092	718,983	2,210,408
Camp expenses	-	136,950	136,950	-	-	-	136,950	103,500
Insurance	5,261	6,313	11,574	6,230	3,239	9,469	21,043	54,600
Information technology	71,584	64,734	136,318	42,736	37,830	80,566	216,884	300,508
Professional fees	279,104	115,425	394,529	51,428	69,758	121,186	515,715	391,296
Accounting and legal	-	-	-	58,547	-	58,547	58,547	62,383
Dues and other fees	85,222	62,071	147,293	55,660	33,232	88,892	236,185	313,866
Food and beverage	291,931	45,175	337,106	15,681	43,707	59,388	396,494	388,388
Telephone	12,414	14,680	27,094	13,861	8,137	21,998	49,092	59,462
Equipment rental and maintenance	5,965	7,158	13,123	7,083	3,653	10,736	23,859	18,892
Recruitments	4,344	5,212	9,556	5,212	2,606	7,818	17,374	1,969
Advertising (Note 2L)	8,806	3,486	12,292	400	1,995	2,395	14,687	14,528
Donated advertising (Note 2F)	-	-	-	-	-	-	-	366,000
Promotional apparel	30,347	47,659	78,006	7,610	31,220	38,830	116,836	121,608
Bad debt	-	-	-	2,000	-	2,000	2,000	12,875
Miscellaneous	1,945	2,666	4,611	1,492	2,066	3,558	8,169	6,041
Depreciation and amortization (Note 5)	29,631	35,557	65,188	35,557	17,778	53,335	118,523	103,177
TOTAL EXPENSES	\$ 8,215,708	\$ 2,116,742	\$ 10,332,450	\$ 968,659	\$ 1,419,382	\$ 2,388,041	\$ 12,720,491	\$ 15,188,466

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

	Program Services			Supporting Services			Total 2016
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,280,246	\$ 1,486,225	\$ 2,766,471	\$ 346,863	\$ 582,820	\$ 929,683	\$ 3,696,154
Payroll taxes and employee benefits (Note 8)	318,109	369,290	687,399	86,187	144,816	231,003	918,402
Total Salaries and Related Costs	1,598,355	1,855,515	3,453,870	433,050	727,636	1,160,686	4,614,556
Grants (Notes 2M and 9)	4,595,569	-	4,595,569	-	-	-	4,595,569
Advocacy	270,000	-	270,000	-	-	-	270,000
Rent (Note 11)	53,927	143,804	197,731	89,878	71,902	161,780	359,511
Printing	50,798	168,480	219,278	16,069	39,907	55,976	275,254
Postage and shipping	34,630	110,954	145,584	14,307	26,909	41,216	186,800
Supplies	13,153	34,026	47,179	5,102	13,050	18,152	65,331
Travel	108,005	126,715	234,720	18,563	38,661	57,224	291,944
Conference, meetings, and events	316,254	1,055,289	1,371,543	168,559	670,306	838,865	2,210,408
Camp expenses	-	103,500	103,500	-	-	-	103,500
Insurance	8,190	21,840	30,030	13,650	10,920	24,570	54,600
Information technology	57,597	136,308	193,905	47,203	59,400	106,603	300,508
Professional fees	194,309	128,582	322,891	22,114	46,291	68,405	391,296
Accounting and legal	-	-	-	62,383	-	62,383	62,383
Dues and other fees	89,231	109,655	198,886	62,321	52,659	114,980	313,866
Food and beverage	196,447	137,719	334,166	19,911	34,311	54,222	388,388
Telephone	9,292	23,885	33,177	14,486	11,799	26,285	59,462
Equipment rental and maintenance	2,834	7,557	10,391	4,723	3,778	8,501	18,892
Recruitments	295	788	1,083	492	394	886	1,969
Advertising (Note 2L)	584	9,502	10,086	816	3,626	4,442	14,528
Donated advertising (Note 2F)	-	366,000	366,000	-	-	-	366,000
Promotional apparel	1,667	82,747	84,414	7,358	29,836	37,194	121,608
Bad debt	-	-	-	12,875	-	12,875	12,875
Miscellaneous	2,024	3,377	5,401	36	604	640	6,041
Depreciation and amortization (Note 5)	15,477	41,271	56,748	25,793	20,636	46,429	103,177
TOTAL EXPENSES	\$ 7,618,638	\$ 4,667,514	\$ 12,286,152	\$ 1,039,689	\$ 1,862,625	\$ 2,902,314	\$ 15,188,466

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

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (765,666)	\$ 1,026,357
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	118,523	103,177
Realized loss on investments	1,259	117
Unrealized gain on investments	(461,946)	(194,431)
Bad debt	2,000	12,875
Loss on disposal of property and equipment	265	-
Subtotal	(1,105,565)	948,095
Changes in assets and liabilities:		
(Increase) or decrease in assets:		
Pledges and other receivables	458,255	847,801
Prepaid expenses and other	9,903	72,240
(Decrease) or increase in liabilities:		
Accounts payable and accrued expenses	(14,530)	108,765
Grants payable	(884,952)	(401,086)
Deferred rent and other liabilities	(4,718)	(2,975)
Net Cash (Used in) Provided by Operating Activities	(1,541,607)	1,572,840
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,994,731	6,862,922
Purchases of investments	(4,545,573)	(6,525,003)
Purchases of property and equipment	(5,739)	(92,915)
Net Cash (Used in) Provided by Investing Activities	(1,556,581)	245,004
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,098,188)	1,817,844
Cash and cash equivalents - beginning of year	5,848,486	4,030,642
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,750,298	\$ 5,848,486

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

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 Foundation's 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, 2017 AND 2016

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. For the year ended December 31, 2016, donated advertising was the largest recorded contribution in-kind and amounted to \$366,000. There was no donated advertising in kind contribution for the year ended December 31, 2017.

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 fundraising 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, 2017 and 2016, the Foundation recognized contributed services in the amounts of \$33,046 and \$31,591, 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, 2017 and 2016, the Foundation recognized contributed goods used for fundraising in the amounts of \$47,372 and \$366,130, 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. Grants that are not fully used and get returned to the Foundation are recorded as other income. For the years ended December 31, 2017 and 2016, grants that were returned to the Foundation amounted to \$440,742 and \$810,329, respectively.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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 \$461,000 and \$451,000 for the years ended December 31, 2017 and 2016, 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.
- P. Certain line items in the December 31, 2016 financial statements were reclassified to conform to the December 31, 2017 presentation. These changes had no impact on the change in net assets for the year ended December 31, 2016.

NOTE 3—PLEDGES AND OTHER RECEIVABLES

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

	<u>2017</u>	<u>2016</u>
Individuals	\$ 454,617	\$ 978,172
Foundations	163,000	110,000
Corporations	<u>20,800</u>	<u>10,500</u>
	<u>\$ 638,417</u>	<u>\$ 1,098,672</u>

Pledges and other receivables are scheduled to be received as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Amount due in less than one year	\$ 538,417	\$ 1,098,672
Amount due in one to five years	<u>100,000</u>	<u>-</u>
	<u>\$ 638,417</u>	<u>\$ 1,098,672</u>

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Equities and equity mutual funds	\$ 2,534,870	\$ 5,069,363
Money market funds	3,694,773	993,555
Certificates of deposit	570,345	-
Exchange traded funds	-	290,905
Fixed income – Corporate bonds	1,045,486	-
Fixed income – Municipal securities	519,878	-
Land (see below)	<u>62,500</u>	<u>62,500</u>
	<u>\$ 8,427,852</u>	<u>\$ 6,416,323</u>

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, 2017 and 2016, 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, 2017 AND 2016

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investment activity consists of the following for the years ended December 31:

	2017	2016
Interest and dividends	\$ 104,412	\$ 110,210
Realized losses	(1,259)	(117)
Unrealized gains	461,946	194,431
	\$ 565,099	\$ 304,524

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.

Financial assets measured at fair value on a recurring basis as of December 31, 2017 are presented in the following table:

	Level 1	Level 2	Level 3	Total 2017
Equities and equity mutual funds	\$ 2,534,870	\$ -	\$ -	\$ 2,534,870
Money market funds	3,694,773	-	-	3,694,773
Certificates of deposit	570,345	-	-	570,345
Fixed income – Corporate bonds	-	1,045,486	-	1,045,486
Fixed income – Municipal securities	-	519,878	-	519,878
Land	-	-	62,500	62,500
Total Assets at Fair Value	\$ 6,799,988	\$ 1,565,364	\$ 62,500	\$ 8,427,852

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets measured at fair value on a recurring basis as of December 31, 2016 are presented in the following table:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2016</u>
Equities and equity mutual funds	\$ 5,069,363	\$ -	\$ -	\$ 5,069,363
Money market funds	993,555	-	-	993,555
Exchange traded funds	290,905	-	-	290,905
Land	-	-	62,500	62,500
Total Assets at Fair Value	<u>\$ 6,353,823</u>	<u>\$ -</u>	<u>\$ 62,500</u>	<u>\$ 6,416,323</u>

Investments in money market funds, certificates of deposit, mutual funds, exchange traded funds and equities are valued using market prices in active markets (Level 1). Investments in fixed income – corporate bonds and fixed income – municipal securities are designated as Level 2.

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, 2017 and 2016, there were no transfers.

NOTE 5—PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 67,673	\$ 69,399	3-5 years
Furniture and fixtures	24,550	24,550	6-7 years
Leasehold improvements	175,889	175,889	3-10 years
Software	<u>256,872</u>	<u>253,722</u>	3 years
Total cost	524,984	523,560	
Less: accumulated depreciation and amortization	<u>(391,862)</u>	<u>(277,389)</u>	
Net book value	<u>\$ 133,122</u>	<u>\$ 246,171</u>	

Depreciation and amortization expense amounted to \$118,523 and \$103,177 for the years ended December 31, 2017 and 2016, respectively. During the year ended December 31, 2017, the Foundation disposed of property and equipment amounting to \$4,315 and accumulated depreciation amounting to \$4,050, and recorded a loss on disposal amounting to \$265.

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, 2017 and 2016, assets held in trust amounted to \$132,152 and \$130,237, respectively. The liability associated with the principal of the trust of \$195,800 as of December 31, 2017 and 2016, is recorded as a liability in the accompanying statements of financial position.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, amounted to \$118,522 and \$132,014, respectively.

NOTE 9—GRANTS PAYABLE

Details of grant awards as of and for the years ended December 31 follow:

	<u>2017</u>	<u>2016</u>
Grants payable, beginning of year	\$ 1,814,959	\$ 2,216,045
Grants awarded during the year	4,567,848	4,595,569
Grants disbursed during the year	(5,236,791)	(4,996,655)
Grants payable written off (see note 2M)	<u>(216,009)</u>	<u>-</u>
Grants payable, end of year	<u>\$ 930,007</u>	<u>\$ 1,814,959</u>

Grants payable are scheduled to be paid subsequent to December 31, 2017, as follows:

2018	\$ 732,007
2019	<u>198,000</u>
	<u>\$ 930,007</u>

NOTE 10—CONCENTRATIONS

- A. Cash that potentially subjects the Foundation to a concentration of credit risk includes cash accounts with one financial institution that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor. As of December 31, 2017 and 2016, there was approximately \$2,372,000 and \$4,906,000, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.
- B. As of December 31, 2016, the Foundation's pledges and other receivables include a pledge from one individual amounting to \$500,000 (46% of total pledges and other receivables).

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.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 11—COMMITMENTS AND CONTINGENCIES (Continued)

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, 2017:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 238,000	\$ 15,000	\$ 253,000
2019	119,000	13,000	132,000
2020	-	13,000	13,000
2021	-	4,000	4,000
	<u>\$ 357,000</u>	<u>\$ 45,000</u>	<u>\$ 402,000</u>

Additionally, the Foundation leases office space for certain chapter/affiliate operations on a month-to-month basis. As of December 31, 2017, monthly rent expenses for leased locations amounted to approximately \$2,600. Total rent expense, inclusive of operating charges, amounted to \$321,134 and \$359,511 for the years ended December 31, 2017 and 2016, respectively.

- B. The Foundation believes it has no uncertain tax positions as of December 31, 2017 and 2016, 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 are restricted for the following purposes, as of December 31:

<u>Source</u>	<u>Purpose</u>	<u>2017</u>	<u>2016</u>
Individuals	Schwannomatosis	\$ 501,536	\$ 231,607
Individuals	Synodos	-	563,475
Individuals	Time restricted	150,000	-
Individuals	Family Funds	63,600	-
Individuals	Other	37,959	103,294
Foundation	Synodos	-	1,000
Foundation	Schwannomatosis	-	7,000
Foundation	Neurofibromatosis	-	300
Foundation	Drug Discovery Initiative	37,500	-
Foundation	Family Funds	3,666,625	3,536,443
Foundation	Other	<u>252,765</u>	<u>348,406</u>
		<u>\$ 4,709,985</u>	<u>\$ 4,791,525</u>

**CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 12—TEMPORARILY RESTRICTED NET ASSETS AND BOARD DESIGNATED FUNDS (Continued)

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, as follows:

	<u>2017</u>	<u>2016</u>
General Research	\$ 37,806	\$ 369,484
Preclinical Consortium	150,000	377,322
Schwannomatosis	73,154	58,490
Neurofibromatosis	380,966	164,477
Biobank Initiative	-	37,500
Synodos	882,082	1,655,477
Drug Discovery Initiative	-	95,000
Time restricted	50,000	-
Other	<u>993,606</u>	<u>663,905</u>
	<u>\$ 2,567,614</u>	<u>\$ 3,421,655</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, 2017 and 2016.

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, 2018, the date the financial statements were available to be issued.