

An Open Letter to Accompany our FY12 Financials

Dear CureSearch Supporters,

July, 2013

We are pleased to post our audited financial statements for Fiscal Year 2012 (FY '12) which ended on February 28, 2012. We hope you will take the time to read this memo in conjunction with your review of our FY '12 Audit.

During FY '12, CureSearch was notified by the leadership of the Children's Oncology Group that our role as fiscal agent/grants administrator for the \$50 million in annual federal grants would be coming to an end before the end of the calendar year 2012. This was a dramatic shift for CureSearch, and meant that our Foundation revenue was being reduced from over \$60 million annually, to approximately \$10 million.

CureSearch seized this opportunity to re-envision our role in finding a cure for childhood cancer. No longer constrained by a government funded research agenda, we embraced the chance to craft a new scientific vision and new operating structure. This included the hiring of a new CEO in September, 2012 to spearhead this transformation. We adopted the following core values to guide our new direction: honesty, integrity, transparency, accountability, creativity and collaboration.

With these core values as our guidepost, we have accomplished the following:

- 'Right-sized' the organization to reflect our reduced revenue
 - Staff size reduced from more than 150 employees to 27 employees
 - Facilities reduced from a large operations center in Arcadia, CA, five regional offices, two satellite offices, and a headquarters to a single office located in Bethesda, MD.
 - To reduce expenses, staff throughout the country now work 'virtually' while still serving constituent needs and managing CureSearch events across the U.S.
 - Restructured service contracts and agreements in line with new model
- Recruited a Scientific Advisory Committee (SAC) to frame our scientific agenda, chaired by Joe Simone, MD (Huntsman/St. Jude's), and comprised of some of the brightest thinkers in the field.
- In conjunction with the SAC, formulated a new scientific framework to guide our research. Developed our first Request for Applications (RFA) for our *Acceleration Initiative* in line with the new approach.
- Fulfilled our obligation to fund COG clinical trials across the country and issued those payments to 187 institutions.
- Continued to enrich our resources and education materials for all those affected by childhood cancer.

In FY 2013, we have committed to fund the following:

- Up to \$2 million in support of clinical trials, through our new Clinical Trial Advancement Award. This application became available May 1 to all institutions conducting pediatric clinical trials, with awards to be issued in December.
- \$5 million to our first research agenda, the *Acceleration Initiative*, with awards issued in September at our first annual scientific symposium in Washington, DC. 49 applications were received and a prestigious Scientific Review Committee, chaired by

Steve Sallan, MD (Dana Farber/Harvard) will select the most promising projects for funding.

- Additional resources and education materials including new procedure videos, webinars, podcasts, and online references.
- Second year of funding for our 12 'Young Investigator' grantees, conducting work in twelve distinct childhood cancer disease and discipline areas.

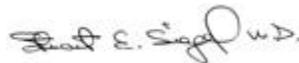
We are excited about our future and the breakthroughs we can achieve in treatment and cures for childhood cancer. We are committed to operating transparently and holding our grantees accountable for producing the patient-centered outcomes promised by their work. Disengaging from our prior role has not been without challenges as we worked to 'right-size' CureSearch. Paramount among these challenges was working through our FY '12 Audit. This was difficult for several reasons including the closure of our California operations center and subsequent dismantling and moving of our finance and accounting functions to Maryland. Affecting this change at the same time the audit needed to take place caused us to miss a filing deadline with rating agency Charity Navigator, and as a result, caused a temporary reduction in our rating, from '4 Stars' to '2 Stars'.

In reviewing the audit, you will find that it is a "qualified" opinion. Also related to our financials, in the summer of 2012, CureSearch 'self-identified' an error in the amount of grant funds drawn down in excess of grant expenses paid. Subsequently, CureSearch paid out grant expenses in an amount equal to the overdrawn amount, and has now satisfied the grantor (National Cancer Institute) that our funding and expenditures are in balance. However, this overdraft resulted in a 'prior period adjustment' to our fund balances. Because the auditors were unable to obtain adequate documentation identifying when the error actually occurred, for the first time in its 25 years of operation, CureSearch received a 'qualified opinion' on our FY '12 Audit. We believe the overdraft could date back as far as 2008 or 2009. As clearly stated in the audit, it is *only* for this reason that we received a qualified opinion. Because the 'prior period adjustment' has now been reported and the amounts reconciled, subsequent audits will not reflect a qualified opinion for this issue.

We appreciate your continued support as we move forward in our quest to cure childhood cancer. We are committed to delivering the best results to you, our supporters, and to doing so with the utmost transparency and integrity. We welcome your questions and concerns and will do our best to respond in a timely and informed fashion. With sincere appreciation for your support,



Laura Thrall
CEO



Stuart Siegel, MD
CureSearch Board Chairman