

**CURESEARCH FOR CHILDREN'S CANCER
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 AND 2018**

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Independent Auditor's Report

To the Board of Directors
CureSearch for Children's Cancer

We have audited the accompanying financial statements of CureSearch for Children's Cancer (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 CureSearch for Children's Cancer as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
May 29, 2020

CURESEARCH FOR CHILDREN'S CANCER
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 223,318	\$ 164,739
Contributions receivable, current portion	1,056,031	584,617
Investments, current portion	3,176,104	2,450,951
Prepaid expenses	25,296	21,465
Accrued interest	14,857	15,154
Total Current Assets	<u>4,495,606</u>	<u>3,236,926</u>
Property , net of accumulated depreciation	<u>-0-</u>	<u>20,512</u>
Other Assets		
Investments, long-term portion	1,500,000	1,500,000
Contributions receivable, long-term portion	333,333	-0-
Deposits	8,886	24,802
Total Other Assets	<u>1,842,219</u>	<u>1,524,802</u>
Total Assets	<u>\$ 6,337,825</u>	<u>\$ 4,782,240</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 182,605	\$ 147,795
Deferred revenue	602,906	33,034
Deferred rent	-0-	37,003
Total Current Liabilities	<u>785,511</u>	<u>217,832</u>
Commitments (Notes 7, 8 and 9)		
Net Assets		
Without donor restrictions	1,480,380	1,396,519
With donor restrictions	4,071,934	3,167,889
Total Net Assets	<u>5,552,314</u>	<u>4,564,408</u>
Total Liabilities and Net Assets	<u>\$ 6,337,825</u>	<u>\$ 4,782,240</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,161,228	\$ 1,388,539	\$ 2,549,767
Institutional grants and gifts	-0-	200,000	200,000
Special events, net	1,523,677	466,242	1,989,919
Net investment return	143,737	368,424	512,161
Other revenue	6,107	-0-	6,107
Net assets released from restrictions:			
Satisfaction of program restrictions	1,497,519	(1,497,519)	-0-
Satisfaction of time restrictions	21,641	(21,641)	-0-
Total Support and Revenue	<u>4,353,909</u>	<u>904,045</u>	<u>5,257,954</u>
Expenses			
Program services	<u>2,901,086</u>	-0-	<u>2,901,086</u>
Support services			
Fundraising	788,386	-0-	788,386
Management and general	580,576	-0-	580,576
Total Support Services	<u>1,368,962</u>	-0-	<u>1,368,962</u>
Total Expenses	<u>4,270,048</u>	-0-	<u>4,270,048</u>
Change in Net Assets	83,861	904,045	987,906
Net Assets at Beginning of Year	<u>1,396,519</u>	<u>3,167,889</u>	<u>4,564,408</u>
Net Assets at End of Year	<u>\$ 1,480,380</u>	<u>\$ 4,071,934</u>	<u>\$ 5,552,314</u>

2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,300,169	\$ 590,259	\$ 1,890,428
5,000	300,000	305,000
1,405,764	406,722	1,812,486
5,960	(113,850)	(107,890)
250,791	-0-	250,791
2,533,965	(2,533,965)	-0-
27,138	(27,138)	-0-
<u>5,528,787</u>	<u>(1,377,972)</u>	<u>4,150,815</u>
<u>3,194,025</u>	<u>-0-</u>	<u>3,194,025</u>
689,086	-0-	689,086
665,792	-0-	665,792
<u>1,354,878</u>	<u>-0-</u>	<u>1,354,878</u>
<u>4,548,903</u>	<u>-0-</u>	<u>4,548,903</u>
979,884	(1,377,972)	(398,088)
<u>416,635</u>	<u>4,545,861</u>	<u>4,962,496</u>
<u>\$ 1,396,519</u>	<u>\$ 3,167,889</u>	<u>\$ 4,564,408</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019				
	Program Services	Fundraising	Management and General	Cost of Direct Benefit to Donors	Total
Personnel expenses					
Salaries	\$ 899,574	\$ 385,933	\$ 296,179	\$ -0-	\$ 1,581,686
Payroll taxes	59,903	25,699	19,723	-0-	105,325
Pension	13,721	5,887	4,518	-0-	24,126
Other fringe benefits	51,183	21,958	16,852	-0-	89,993
Other personnel expenses	2,375	1,019	782	-0-	4,176
Total personnel expenses	<u>1,026,756</u>	<u>440,496</u>	<u>338,054</u>	<u>-0-</u>	<u>1,805,306</u>
Programmatic initiatives	1,401,791	-0-	-0-	-0-	1,401,791
Facility expenses	86,969	37,311	28,634	-0-	152,914
Travel expenses	22,300	107,692	15,090	-0-	145,082
Professional fees, other	80,217	24,762	19,003	-0-	123,982
Software maintenance	65,573	28,132	21,590	-0-	115,295
Special events	-0-	32,181	-0-	69,995	102,176
Accounting	-0-	-0-	75,647	-0-	75,647
Bank and merchant fees	-0-	59,806	4,190	-0-	63,996
Legal	33,422	-0-	26,578	-0-	60,000
Meetings and conferences	42,741	200	6,070	-0-	49,011
Insurance	31,063	13,327	10,227	-0-	54,617
Public relations	25,346	8,054	8,236	-0-	41,636
Printing and postage	22,256	9,548	7,328	-0-	39,132
Telecommunications	18,441	7,912	6,072	-0-	32,425
Depreciation	11,667	5,004	3,841	-0-	20,512
Dues and subscriptions	9,779	4,195	3,220	-0-	17,194
Registrations, permits and insurance	6,448	2,766	2,123	-0-	11,337
Information technology	6,167	2,646	2,030	-0-	10,843
Repairs and maintenance	5,513	2,365	1,815	-0-	9,693
Equipment rental	2,153	923	709	-0-	3,785
Office supplies	1,906	817	628	-0-	3,351
Income taxes (recovery)	-0-	-0-	(1,243)	-0-	(1,243)
Miscellaneous	578	249	734	-0-	1,561
Total Expenses	<u>2,901,086</u>	<u>788,386</u>	<u>580,576</u>	<u>69,995</u>	<u>4,340,043</u>
Less: Cost of direct benefit to donors	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(69,995)</u>	<u>(69,995)</u>
Total expenses reported in the statements of activities	<u>\$ 2,901,086</u>	<u>\$ 788,386</u>	<u>\$ 580,576</u>	<u>\$ -0-</u>	<u>\$ 4,270,048</u>

2018

Program Services	Fundraising	Management and General	Cost of Direct Benefit to Donors	Total
\$ 1,021,853	\$ 336,828	\$ 321,277	\$ -0-	\$ 1,679,958
74,524	24,565	23,431	-0-	122,520
12,529	4,130	3,939	-0-	20,598
68,228	22,490	21,451	-0-	112,169
2,179	718	685	-0-	3,582
1,179,313	388,731	370,783	-0-	1,938,827
1,448,146	-0-	-0-	-0-	1,448,146
97,882	32,264	30,775	-0-	160,921
22,211	74,821	14,364	-0-	111,396
86,447	21,079	20,105	-0-	127,631
77,298	25,479	24,303	-0-	127,080
-0-	31,937	-0-	65,208	97,145
-0-	-0-	84,490	-0-	84,490
-0-	60,477	1,945	-0-	62,422
-0-	-0-	60,000	-0-	60,000
37,261	-0-	2,789	-0-	40,050
35,193	11,600	11,065	-0-	57,858
102,690	7,235	8,510	-0-	118,435
15,964	5,262	5,019	-0-	26,245
22,617	7,455	7,111	-0-	37,183
21,203	6,989	6,666	-0-	34,858
20,663	6,811	6,497	-0-	33,971
7,114	2,345	2,237	-0-	11,696
11,484	3,785	3,611	-0-	18,880
2,102	693	661	-0-	3,456
2,806	925	882	-0-	4,613
3,091	1,019	972	-0-	5,082
-0-	-0-	1,243	-0-	1,243
540	179	1,764	-0-	2,483
3,194,025	689,086	665,792	65,208	4,614,111
-0-	-0-	-0-	(65,208)	(65,208)
\$ 3,194,025	\$ 689,086	\$ 665,792	\$ -0-	\$ 4,548,903

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 987,906	\$ (398,088)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,512	34,858
Net (gains) losses on investments	(415,168)	194,602
Donated stock contributions	(12,551)	(17,219)
Changes in operating assets and liabilities:		
Contributions receivable	(804,747)	(221,005)
Prepaid expenses	(3,831)	12,210
Accrued interest	297	5,796
Accounts payable and accrued expenses	34,810	(79,155)
Deferred revenue	569,872	(9,036)
Deferred rent	(37,003)	(45,849)
Net Cash Provided by (Used in) Operating Activities	<u>340,097</u>	<u>(522,886)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	586,626	479,126
Purchases of investments	(896,611)	(263,818)
Net proceeds from sale of donated stock	12,551	17,219
Change in security deposits	15,916	-0-
Net Cash Provided by (Used in) Investing Activities	<u>(281,518)</u>	<u>232,527</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58,579	(290,359)
Cash and Cash Equivalents at Beginning of Year	<u>164,739</u>	<u>455,098</u>
Cash and Cash Equivalents at End of Year	<u>\$ 223,318</u>	<u>\$ 164,739</u>
Supplemental Disclosures of Cash Flow Information:		
Income taxes paid	<u>\$ -0-</u>	<u>\$ 1,317</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies

CureSearch for Children's Cancer (CureSearch) is a non-profit organization, incorporated under the laws of the state of California in 1987. The organization has been determined to be exempt from federal income taxes by Internal Revenue Service (IRS), pursuant to the provisions of the Internal Revenue Code (IRC) section 501(c)(3). CureSearch was previously known as the National Childhood Cancer Foundation.

CureSearch's mission is to fund and monitor targeted, innovative pediatric cancer research that achieves measurable results in an expedited timeframe. CureSearch supports research grants at all stages of the research continuum - basic science through Young Investigator Awards, translational research through Acceleration Initiative Awards, and clinical trials through Catapult Awards. CureSearch provides educational resources to parents and caregivers, including easy-to-understand information on diagnosis and treatment, educational videos, and an app to ease the caregiver process. CureSearch raises funds through individuals, corporations, private foundations, and special events.

The accounting and reporting policies of CureSearch conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: CureSearch classifies certain investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents. Cash and cash equivalents designated and held for investment purposes are included in investments and are not considered cash and cash equivalents for cash flow purposes.

Contributions Receivable: Unconditional promises to give are recorded as contributions receivable and recognized as revenue in the period received. A provision is made for uncollectible contributions based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding contributions receivable. Contributions receivable are written off by management when, in its determination, all appropriate collection efforts have been taken. Management has determined that all contributions receivable at December 31, 2019 and 2018 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments, whose fair values are not readily determinable, are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments are reported in the statements of activities as part of net investment return.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property and Depreciation: Property is recorded at cost or, if donated, at fair value at the date of contribution, less accumulated depreciation. CureSearch capitalizes all property acquisitions in excess of \$5,000 having an estimated useful life greater than one year. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets as follows:

Computers software and equipment	3 years
Leasehold improvements	3-5 years
Furniture and fixtures	8 years

Deferred Rent: CureSearch entered into a lease agreement for office space which provided for a period of rent abatement and contained annual rent escalations. As a result, CureSearch recognized rent expense on a straight-line basis over the term of the lease. Deferred rent represented the difference between rent expense recognized to date and the actual payments made to date.

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)* and all related amendments, which serves to supersede most existing revenue recognition guidance. This standard is commonly referred to as Accounting Standards Codification (ASC) 606. ASC 606 is effective for years beginning January 1, 2019. Management has reviewed this ASC and has determined that it has no impact on CureSearch's financial statements since CureSearch does not recognize revenue from contracts.

CureSearch derives revenue primarily from grants, contributions, special events and net investment return. Special event and investment income are recognized as revenue when earned. Unconditional contributions are recognized in the year the contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants and contributions earned but not yet received are recorded as contributions receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions: Contributions received are recorded without donor restrictions or with donor restriction support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates such as time and effort or other criteria.

Advertising: Advertising costs are charged to operations when incurred. CureSearch had no significant direct-response advertising. Advertising expense for the years ended December 31, 2019 and 2018 totaled \$11,896 and \$13,762, which is included in public relations on the statements of functional expenses.

Income Taxes: CureSearch is exempt from federal and state income taxes under IRC §501(c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CureSearch's unrelated business income for the year ended December 31, 2018 was related to parking and commuter benefits paid on behalf of employees, which under the new tax law effective January 1, 2018, was subject to tax. During 2019, this provision of the law was repealed, therefore CureSearch had no unrelated business income for the year ended December 31, 2019. Federal and state income tax expense was \$-0- and \$1,243 for the years ended December 31, 2019 and 2018, respectively, and is included in management and general expenses in the statements of activities.

CureSearch's federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Recently Issued Accounting Pronouncements: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which was effective for fiscal years beginning after December 15, 2018. The new guidance clarifies and improves accounting guidance for contributions received and contributions made. The amendments in the ASU provide specific criteria to 1) evaluate whether certain transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and 2) determine whether a contribution is conditional. CureSearch adopted the ASU 2018-08 effective January 1, 2019 and determined there was no cumulative effect on the opening balance of net assets as a result of adopting this standard.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The FASB issued ASU 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain exercise and option to extend the lease or not to exercise an option to terminate the lease. The assets will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact of leases on the financial statements.

Reclassifications: Certain amounts previously reported in the 2018 financial statements have been reclassified to conform to financial statement presentation for the year ended December 31, 2019.

Subsequent Events: In preparing these financial statements, CureSearch has evaluated events and transactions for potential recognition or disclosure through May 29, 2020, the date the financial statements were available to be issued. During the period from January 1, 2020 through May 29, 2020, except for information related to the national health emergency as described in Note 10, CureSearch did not have any material recognizable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	2019	2018
Cash and cash equivalents	\$ 223,318	\$ 164,739
Contributions receivable	1,056,031	584,617
Investments, current portion	3,176,104	2,450,951
Less: Net assets with donor restrictions - specific purpose	(2,559,512)	(1,646,248)
Financial Assets Available for General Expenditure	\$ 1,895,941	\$ 1,554,059

As part of CureSearch's liquidity management plan, CureSearch invests cash in excess of daily requirements in short-term investments and money market funds.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2019 and 2018

Note 3: Investments

A summary of the investment portfolio is as follows at December 31, 2019 and 2018:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Corporate bonds	\$ 1,599,534	\$ 1,543,723	\$ 1,528,414	\$ 1,550,731
Exchange traded funds, equity	1,555,626	726,547	1,232,855	663,668
Money market funds	700,083	700,083	413,766	413,766
Exchange traded funds, fixed income	459,693	412,615	437,976	413,201
U.S. government obligations	348,616	343,519	335,923	339,457
Cash and cash equivalents	12,552	12,552	2,017	2,017
Total investments	4,676,104	<u>\$ 3,739,039</u>	3,950,951	<u>\$ 3,382,840</u>
Investments classified as long-term:				
Endowment funds	<u>1,500,000</u>		<u>1,500,000</u>	
Investments, current portion	<u>\$ 3,176,104</u>		<u>\$ 2,450,951</u>	

Net investment return for the year ended December 31, 2019 and 2018, consisted of the following:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Interest and dividend income	\$ 73,208	\$ 43,831	\$ 117,039	\$ 66,135	\$ 41,050
Net gains (losses) on investments	80,360	334,808	415,168	(50,158)	(144,444)	(194,602)
Investment expenses	(9,831)	(10,215)	(20,046)	(10,017)	(10,456)	(20,473)
Net Investment Return	<u>\$ 143,737</u>	<u>\$ 368,424</u>	<u>\$ 512,161</u>	<u>\$ 5,960</u>	<u>\$ (113,850)</u>	<u>\$ (107,890)</u>

Note 4: Fair Value Measurement

Generally Accepted Accounting Principles (GAAP) establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2019 and 2018

Note 4: Fair Value Measurement (Continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation techniques used by CureSearch include the following:

Money Market Funds and Cash and Cash Equivalents: Valued at original cost, which equals fair value.

Exchange-Traded Funds: Valued at the last sales price reported in the active market in which the individual fund is traded.

Corporate Bonds and US Government Obligations: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, CureSearch performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy, as of December 31, 2019:

December 31, 2019	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 1,599,534	\$ -0-	\$ 1,599,534	\$ -0-
Exchange traded funds, equity	1,555,626	1,555,626	-0-	-0-
Money market funds	700,083	700,083	-0-	-0-
Exchange traded funds, fixed income	459,693	459,693	-0-	-0-
U.S. government obligations	348,616	-0-	348,616	-0-
Cash and cash equivalents	12,552	12,552	-0-	-0-
	\$ 4,676,104	\$ 2,727,954	\$ 1,948,150	\$ -0-

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Notes to Financial Statements
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Note 4: Fair Value Measurement (Continued)

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy, as of December 31, 2018:

December 31, 2018	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 1,528,414	\$ -0-	\$ 1,528,414	\$ -0-
Exchange traded funds, equity	1,232,855	1,232,855	-0-	-0-
Exchange traded funds, fixed income	437,976	437,976	-0-	-0-
Money market funds	413,766	413,766	-0-	-0-
U.S. government obligations	335,923	-0-	335,923	-0-
Cash and cash equivalents	2,017	2,017	-0-	-0-
	<u>\$ 3,950,951</u>	<u>\$ 2,086,614</u>	<u>\$ 1,864,337</u>	<u>\$ -0-</u>

Note 5: Property

Property consisted of the following at December 31, 2019 and 2018:

	2019	2018
Computer software and equipment	\$ 20,716	\$ 82,447
Leasehold improvements	-0-	171,695
Furniture and fixtures	-0-	18,545
	<u>20,716</u>	<u>272,687</u>
Less: Accumulated depreciation	20,716	252,175
	<u>\$ -0-</u>	<u>\$ 20,512</u>

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Note 6: Net Assets with Donor Restrictions

CureSearch has several restricted funds, some which may be expended but only for the purpose established by the respective donors and others which cannot be expended except for the net investment return earned on those funds. Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

	2018	Current Year Activity			2019
		Contributions	Net Investment Return	Released from Restrictions	
Subject to expenditure for a specified purpose:					
Catapult	\$ 271,457	\$ 1,228,750	\$ -0-	\$ (314,135)	\$ 1,186,072
Young investigators	113,835	100,000	-0-	(190,457)	23,378
Acceleration initiative	-0-	75,000	-0-	(52,235)	22,765
Education and resources	19,659	-0-	-0-	-0-	19,659
Other research	1,241,297	638,609	368,424	(940,692)	1,307,638
	<u>1,646,248</u>	<u>2,042,359</u>	<u>368,424</u>	<u>(1,497,519)</u>	<u>2,559,512</u>
Subject to the passage of time:					
Time restrictions	21,641	12,422	-0-	(21,641)	12,422
	<u>1,667,889</u>	<u>2,054,781</u>	<u>368,424</u>	<u>(1,519,160)</u>	<u>2,571,934</u>
Subject to spending policy or appropriation					
Endowment - Corn Fund	1,500,000	-0-	-0-	-0-	1,500,000
	<u>\$ 3,167,889</u>	<u>\$ 2,054,781</u>	<u>\$ 368,424</u>	<u>\$ (1,519,160)</u>	<u>\$ 4,071,934</u>

Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

	2017	Prior Year Activity			2018
		Contributions	Net Investment Return	Released from Restrictions	
Subject to expenditure for a specified purpose:					
Catapult	\$ 1,069,866	\$ 295,000	\$ -0-	\$ (1,093,409)	\$ 271,457
Young investigators	225,000	-0-	-0-	(111,165)	113,835
Education and resources	29,184	10,000	-0-	(19,525)	19,659
Acceleration initiative	188,143	300,000	-0-	(488,143)	-0-
Other research	1,506,530	670,340	(113,850)	(821,723)	1,241,297
	<u>3,018,723</u>	<u>1,275,340</u>	<u>(113,850)</u>	<u>(2,533,965)</u>	<u>1,646,248</u>
Subject to the passage of time:					
Time restrictions	27,138	21,641	-0-	(27,138)	21,641
	<u>3,045,861</u>	<u>1,296,981</u>	<u>(113,850)</u>	<u>(2,561,103)</u>	<u>1,667,889</u>
Subject to spending policy or appropriation					
Endowment - Corn Fund	1,500,000	-0-	-0-	-0-	1,500,000
	<u>\$ 4,545,861</u>	<u>\$ 1,296,981</u>	<u>\$ (113,850)</u>	<u>\$ (2,561,103)</u>	<u>\$ 3,167,889</u>

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Note 6: Net Assets with Donor Restrictions (Continued)

CureSearch maintains the following endowment fund:

Corn Fund: This fund was established by The Lovick P. and Elizabeth T. Corn Fund of the Bradley-Turner Foundation and the Beloco Foundation. The principal is considered permanently restricted in nature. CureSearch can use the investment income, net of expenses, to fund research by physicians/scientists on the faculty of the Section of Pediatric Hematology/Oncology at the Medical College of Georgia. Specific research programs and projects to be funded are to be determined by a Scientific Review Panel, as defined in the agreement, on an annual basis. Based on the occurrence of certain circumstances, as defined in the agreement, the awards can be made to physicians/scientists at other similar tax exempt entities. In addition, expenses incurred by CureSearch to administer this endowment fund may be reimbursed out of the investment income, up to a maximum of 5% of the current year's investment income. The accumulated income and gains (losses) are recorded as net assets with donor restrictions that are considered temporary in nature until released.

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The board of directors of CureSearch has interpreted UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CureSearch classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by CureSearch in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CureSearch considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) other resources of CureSearch.

Investment Return Objectives, Risk Parameters and Strategies

CureSearch has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of not more than 5%, while growing the funds if possible. Therefore, CureSearch expects its endowment assets, over time, to produce an average annual rate of return that is higher than the inflation rate in order to maintain the purchasing power of the endowment funds. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

CURESEARCH FOR CHILDREN'S CANCER
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Note 6: Net Assets with Donor Restrictions (Continued)

Spending Policy

CureSearch has a policy of appropriating for distribution each year not more than 5% of a three-year average of the endowment fund's fair value. In establishing this policy, CureSearch considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. CureSearch's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2019 and 2018, is as follows:

	With Donor Restrictions			Total Net Endowment Assets
	Without Donor Restriction	Temporary in Nature	Permanent in Nature	
<u>December 31, 2019</u>				
Corn Fund	\$ -0-	\$ 706,331	\$ 1,500,000	\$ 2,206,331
<u>December 31, 2018</u>				
Corn Fund	\$ -0-	\$ 438,383	\$ 1,500,000	\$ 1,938,383

Changes in endowment net assets as of and for the years ended December 31, 2018 and 2017 are as follows:

	With Donor Restrictions			Total Net Endowment Assets
	Without Donor Restrictions	Temporary in Nature	Permanent in Nature	
Endowment net assets, December 31, 2017	\$ -0-	\$ 652,233	\$ 1,500,000	\$ 2,152,233
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	(113,850)	-0-	(113,850)
Amounts appropriated for expenditure	-0-	(100,000)	-0-	(100,000)
Endowment net assets, December 31, 2018	-0-	438,383	1,500,000	1,938,383
Contributions	-0-	-0-	-0-	-0-
Net investment return		367,948	-0-	367,948
Amounts appropriated for expenditure	-0-	(100,000)	-0-	(100,000)
Endowment net assets, December 31, 2019	\$ -0-	\$ 706,331	\$ 1,500,000	\$ 2,206,331

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Note 7: Lease Commitments

Office Leases: CureSearch leased office space under a non-cancellable lease for its office located in Bethesda, Maryland, which expired in September 2019. The basic annual rent of the lease was subject to a 3% increase per year. In addition to a base monthly rent payment, the lease required that CureSearch pay as additional rent its proportionate share of common area expenses and real estate taxes, as applicable.

In October 2019, CureSearch entered into an office service agreement which includes a shared office space in Bethesda, MD, which currently expires in October 2020. In addition to a base monthly rent payment, the agreement requires that CureSearch pay additional monthly charges for various office related services and access to office equipment.

Future minimum annual payments under the remaining term of this office service agreement as of December 31, 2019 are \$48,860. Total rent expense for the years ended December 31, 2019 and 2018, including additional rental amounts (2019 - \$9,397 and 2018 - \$6,278) was \$140,670 and \$146,735, respectively.

Equipment Lease: CureSearch leased office equipment under a lease agreement which expired in August 2019. Rent expense under this lease was \$3,785 and \$4,613 for the years ended December 31, 2019 and 2018, respectively.

Note 8: Pension Plans

Defined Contribution Benefit Plan: CureSearch sponsored an IRC 403(b) salary deferral retirement plan that generally covered all employees, which was terminated effective December 31, 2019. Under the terms of this plan, participating employees could elect to contribute pre-tax dollars into the plan not to exceed the maximum contribution allowable under applicable provisions of the IRC. The plan allowed for a tiered employer matching provision which ranged from 0% to 2%. The matching contribution was based on the percentage of the participant's elective deferral to the plan on an annual basis. Participants were required to have 12 months of service to qualify for an employer match. Contributions made by CureSearch to this plan for the years ended December 31, 2019 and 2018, were \$24,126 and \$20,598, respectively.

During 2019, CureSearch established an IRC 401(k) retirement plan that becomes effective on January 1, 2020 and which covers all employees. Under the terms of this plan, participating employees may elect to contribute pre-tax dollars or Roth deferrals into the plan not to exceed the maximum contribution allowable under applicable provisions of the IRC. Under this plan, CureSearch may make a discretionary matching contribution on behalf of the participants who have at least one year of service, including a minimum of 500 hours.

Note 9: Grant Commitments

As of December 31, 2019, CureSearch has outstanding conditional grant commitments to be made totaling \$1,578,256. Grant payments are subject to the fulfillment of certain conditions, as defined in the respective grant agreements.

CURESEARCH FOR CHILDREN'S CANCER
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December 31, 2019 and 2018

Note 9: Grant Commitments (Continued)

Future expected conditional grant payments for each of the years subsequent to December 31, 2019 are as follows:

Year ending December 31:	
2020	\$ 990,756
2021	550,000
2022	<u>37,500</u>
	<u>\$ 1,578,256</u>

Note 10: Other Matters

Cash and Cash Equivalents: CureSearch maintains its cash balances in three financial institutions. Periodically during the year, CureSearch's cash balances have exceeded federally insured limits. CureSearch has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances.

Grant Co-Funding: CureSearch actively seeks to identify partners who will co-fund their research projects and increase the amount of money going to pediatric oncology research.

In 2016, CureSearch partnered with The Rising Tide Foundation for Clinical Cancer Research to support CureSearch's Acceleration Initiative. This program was created, developed, marketed and monitored by CureSearch. The partner committed \$843,836 over three years in direct support of this project, of which \$294,612 was paid directly to the grant recipients in 2018.

In 2017, CureSearch partnered with the Alan B. Slifka Foundation to support another grant for Acceleration Initiative. This partner has committed \$300,000 over three years in direct support of this project, of which \$100,000 was paid directly to the grant recipients in each of the years 2019 and 2018. For financial reporting purposes, these commitments and the related payments are not included in the accompanying financial statements.

Investment Risk: CureSearch invests in a professionally managed portfolio that may contain corporate bonds, mutual funds, money market funds and other investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, will have far reaching social, economic, and financial impacts on the country going forward. At this time, the impact on the operation and financial status of CureSearch cannot be determined.

Subsequent to year, CureSearch applied for and received funds in the amount of \$277,800 under the Paycheck Protection Program, which was created as a result of this pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during the eight-week period commencing on the date the loan proceeds are received. Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1% and is payable in equal principal installments plus interest over an eighteen-month period commencing on November 20, 2020 with a maturity date of April 20, 2022.

