



CURESEARCH FOR CHILDREN'S CANCER

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-17
Supplementary Information:	
Independent Auditor's Report on Supplementary Information	18
Schedules of Functional Expenses	19-20

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, 2016 and 2015, and the related statements of activities 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, 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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
October 18, 2017

CURESEARCH FOR CHILDREN'S CANCER
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 155,453	\$ 738,819
Accounts receivable	376,578	370,956
Contributions receivable	108,658	91,000
Investments, current portion	2,542,559	3,240,599
Prepaid expenses	90,834	50,880
Total Current Assets	<u>3,274,082</u>	<u>4,492,254</u>
Property , net of accumulated depreciation	<u>84,362</u>	115,234
Other Assets		
Investments, long-term portion	2,500,000	2,500,000
Assets held in trust	147,634	74,549
Deposits	24,802	28,491
Total Other Assets	<u>2,672,436</u>	<u>2,603,040</u>
Total Assets	<u>\$ 6,030,880</u>	<u>\$ 7,210,528</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 259,620	\$ 230,422
Deferred revenue	35,406	33,638
Deferred rent, current portion	38,321	33,283
Total Current Liabilities	<u>333,347</u>	<u>297,343</u>
Non-Current Liabilities		
Deferred rent, non-current portion	79,181	117,502
Deferred compensation	147,634	74,549
Total Non-Current Liabilities	<u>226,815</u>	<u>192,051</u>
Total Liabilities	<u>560,162</u>	<u>489,394</u>
Commitments (Notes 7, 8 and 9)		
Net Assets		
Unrestricted	690,493	1,280,882
Temporarily restricted	2,280,225	2,940,252
Permanently restricted	2,500,000	2,500,000
Total Net Assets	<u>5,470,718</u>	<u>6,721,134</u>
Total Liabilities and Net Assets	<u>\$ 6,030,880</u>	<u>\$ 7,210,528</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Activities
Years Ended December 31, 2016 and 2015

2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	\$ 1,055,459	\$ 289,325	\$ -0-	\$ 1,344,784
Institutional grants and gifts	32,000	532,500	-0-	564,500
Cause and marketing revenue	325,938	363,690	-0-	689,628
Special events, net	2,032,103	422,652	-0-	2,454,755
Investment income (loss), net	72,244	146,915	-0-	219,159
Other revenue	3,385	-0-	-0-	3,385
Net assets released from restrictions:				
Satisfaction of program restrictions	2,415,109	(2,415,109)	-0-	-0-
Total Support and Revenue	<u>5,936,238</u>	<u>(660,027)</u>	<u>-0-</u>	<u>5,276,211</u>
Expenses				
Program services	4,149,437	-0-	-0-	4,149,437
Support services				
Fundraising	1,663,052	-0-	-0-	1,663,052
Management and general	714,138	-0-	-0-	714,138
Total Support Services	<u>2,377,190</u>	<u>-0-</u>	<u>-0-</u>	<u>2,377,190</u>
Total Expenses	<u>6,526,627</u>	<u>-0-</u>	<u>-0-</u>	<u>6,526,627</u>
Change in Net Assets	(590,389)	(660,027)	-0-	(1,250,416)
Net Assets at Beginning of Year	<u>1,280,882</u>	<u>2,940,252</u>	<u>2,500,000</u>	<u>6,721,134</u>
Net Assets at End of Year	<u>\$ 690,493</u>	<u>\$ 2,280,225</u>	<u>\$ 2,500,000</u>	<u>\$ 5,470,718</u>

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,740,655	\$ 792,076	\$ -0-	\$ 2,532,731
-0-	386,500	-0-	386,500
162,197	259,602	-0-	421,799
2,495,336	309,513	-0-	2,804,849
28,241	(25,488)	-0-	2,753
36	-0-	-0-	36
1,758,626	(1,758,626)	-0-	-0-
6,185,091	(36,423)	-0-	6,148,668
3,740,186	-0-	-0-	3,740,186
2,010,460	-0-	-0-	2,010,460
709,514	-0-	-0-	709,514
2,719,974	-0-	-0-	2,719,974
6,460,160	-0-	-0-	6,460,160
(275,069)	(36,423)	-0-	(311,492)
1,555,951	2,976,675	2,500,000	7,032,626
\$ 1,280,882	\$ 2,940,252	\$ 2,500,000	\$ 6,721,134

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,250,416)	\$ (311,492)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	30,872	32,227
Net losses (gains) on investments	(87,968)	141,115
Donated stock contributions	(29,420)	(104,164)
Changes in operating assets and liabilities:		
.Accounts receivable	(5,622)	(292,052)
Contributions receivable	(17,658)	(91,000)
Prepaid expenses	(39,954)	30,723
Deposits	3,689	4,968
.Accounts payable and accrued expenses	29,198	5,409
Deferred revenue	1,768	28,598
Deferred rent	(33,283)	(28,382)
Deferred compensation	73,085	54,130
Net Cash Used in Operating Activities	<u>(1,325,709)</u>	<u>(529,920)</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,905,826	1,891,017
Purchases of investments	(1,130,259)	(1,549,302)
Net proceeds from sale of donated stock	29,420	104,164
Purchase of property	-0-	(4,798)
Increase in assets held in trust	(62,644)	(55,348)
Net Cash Provided by Investing Activities	<u>742,343</u>	<u>385,733</u>
Net Decrease in Cash and Cash Equivalents	(583,366)	(144,187)
Cash and Cash Equivalents at Beginning of Year	<u>738,819</u>	<u>883,006</u>
Cash and Cash Equivalents at End of Year	<u>\$ 155,453</u>	<u>\$ 738,819</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

CureSearch for Children's Cancer (CureSearch) was incorporated under the laws of the state of California on November 1, 1987 and has been recognized by the Internal Revenue Service (IRS) as a tax-exempt, publicly supported organization, as defined by section 501(c)(3) of the Internal Revenue Code (IRC), and, therefore is not a private foundation. CureSearch was previously known as the National Childhood Cancer Foundation.

CureSearch's mission is to fund and support targeted and innovative cancer research with measurable results, and to be the authoritative source of information and resources for all those affected by children's cancer. CureSearch supports childhood cancer research at all stages along the research continuum, from fellowships that accelerate the careers of young researchers to multi-million dollar grants that support research teams developing potential new treatments, to clinical trial awards that enable hospitals to enroll children being treated today. It provides educational resources to parents and caregivers, including plain language information on diagnosis and treatment, procedural videos, and parent webinars. CureSearch also 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:

Financial Statement Presentation: CureSearch reports 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.

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.

Accounts Receivable: Accounts receivable arise from services rendered and are carried at original invoice amount less an estimate made for doubtful receivables. CureSearch utilizes the reserve method of accounting for bad debts. Management establishes the allowance for doubtful accounts based on industry experience and its historical collection experience with individual accounts. Receivables are written off by management when, in their determination, all reasonable collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when collected. Management has determined that all accounts receivable at December 31, 2016 and 2015 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2016 and 2015 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 for the year are reported in the statements of activities as part of investment income (loss), net.

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.

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:

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

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

Revenue Recognition: CureSearch derives revenue primarily from fee for service contracts, grants, contributions, and investment income. Fee for service contracts 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 accounts/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, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Upon the expiration of a restriction, temporarily restricted net assets are reclassified to unrestricted net assets 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 in the statements of activities. 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.

Contributed Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by CureSearch.

During the year ended December 31, 2016, in-kind contribution revenue consisted of consulting services in the amount of \$73,325. During the year ended December 31, 2015, in-kind contribution revenue consisted of advertising services in the amount of \$106,289. The advertising expense has been reported by its functional classification in the statements of activities.

Advertising: Advertising costs are charged to operations when incurred. CureSearch had no significant direct-response advertising. Advertising expense for the years ended December 31, 2016 and 2015 totaled \$6,258 and \$109,430 (including the \$-0- and \$106,289 donated amount), respectively.

Income Taxes: CureSearch is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CureSearch had no unrelated business income for the years ended December 31, 2016 and 2015. Accordingly, no provision for income taxes is reflected in these financial statements.

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.

Subsequent Events: In preparing these financial statements, CureSearch has evaluated events and transactions for potential recognition or disclosure through October 18, 2017, the date the financial statements were available to be issued. During the period from January 1, 2017 through October 18, 2017, CureSearch did not have any material recognizable subsequent events.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 2: Investments

A summary of the investment portfolio is as follows at December 31, 2016 and 2015:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Corporate bonds, fixed income	\$ 2,955,746	\$ 2,981,126	\$ 3,694,746	\$ 3,723,084
Exchange traded funds, equity	1,327,442	730,794	1,270,408	710,083
Exchange traded funds, fixed income	477,770	446,775	442,845	408,398
Money market funds	281,601	281,601	274,187	274,187
Mutual funds, international equity	-0-	-0-	58,413	62,507
Total investments	5,042,559	<u>\$ 4,440,296</u>	5,740,599	<u>\$ 5,178,259</u>
Investments classified as long-term:				
Endowment funds	<u>2,500,000</u>		<u>2,500,000</u>	
Investments, current portion	<u>\$ 2,542,559</u>		<u>\$ 3,240,599</u>	

Investment income, net, for the year ended December 31, 2016 consists of the following:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 86,374	\$ 72,441	\$ -0-	\$ 158,815
Net gains (losses) on investments	(1,305)	89,273	-0-	87,968
Investment expenses	(12,825)	(14,799)	-0-	(27,624)
	<u>\$ 72,244</u>	<u>\$ 146,915</u>	<u>\$ -0-</u>	<u>\$ 219,159</u>

Investment income (loss), net, for the year ended December 31, 2015 consists of the following:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 100,349	\$ 72,931	\$ -0-	\$ 173,280
Net losses on investments	(58,101)	(83,014)	-0-	(141,115)
Investment expenses	(14,007)	(15,405)	-0-	(29,412)
	<u>\$ 28,241</u>	<u>\$ (25,488)</u>	<u>\$ -0-</u>	<u>\$ 2,753</u>

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 3: Fair Value Measurement

Generally accepted accounting principles 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.

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: Valued at original cost, which equals fair value.

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

Corporate Bonds: 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.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 3: Fair Value Measurement (Continued)

The tables below present the assets measured at fair value on a recurring basis by level within the hierarchy, as of December 31, 2016 and 2015:

	Total	Level 1	Level 2	Level 3
<u>December 31. 2016</u>				
Corporate bonds, fixed income	\$ 2,955,746	\$ -0-	\$ 2,955,746	\$ -0-
Exchange traded funds, equity	1,327,442	1,327,442	-0-	-0-
Exchange traded funds, fixed income	477,770	477,770	-0-	-0-
Money market funds	281,601	281,601	-0-	-0-
	<u>\$ 5,042,559</u>	<u>\$ 2,086,813</u>	<u>\$ 2,955,746</u>	<u>\$ -0-</u>
<u>December 31. 2015</u>				
Corporate bonds, fixed income	\$ 3,694,746	\$ -0-	\$ 3,694,746	\$ -0-
Exchange traded funds, equity	1,270,408	1,270,408	-0-	-0-
Exchange traded funds, fixed income	442,845	442,845	-0-	-0-
Money market funds	274,187	274,187	-0-	-0-
Mutual funds, international equity	58,413	58,413	-0-	-0-
	<u>\$ 5,740,599</u>	<u>\$ 2,045,853</u>	<u>\$ 3,694,746</u>	<u>\$ -0-</u>

Note 4: Property

Property consisted of the following at December 31, 2016 and 2015:

	2016	2015
Furniture and fixtures	\$ 32,650	\$ 32,650
Leasehold improvements	171,695	173,615
Computer and equipment	165,329	165,329
	<u>369,674</u>	<u>371,594</u>
Less: Accumulated depreciation	285,312	256,360
	<u>\$ 84,362</u>	<u>\$ 115,234</u>

Depreciation expense was \$28,953 and \$32,227 for the years ended December 31, 2016 and 2015, respectively.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 5: Temporarily Restricted Net Assets

CureSearch has several temporarily restricted funds, which may be expended but only for the purpose and subject to restrictions established by the respective donors. Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

	2015	Current Year Activity			2016
		Contributions	Investment Income (Loss)	Released from Restrictions	
Acceleration initiative	\$ 755,278	\$ 465,040	\$ -0-	\$ (768,305)	\$ 452,013
Young investigators	311,086	138,240	17,710	(239,546)	227,490
Other research	1,766,187	851,579	129,205	(1,308,939)	1,438,032
Time restrictions	91,000	108,308	-0-	(91,000)	108,308
Education & resources	16,701	45,000	-0-	(7,319)	54,382
	<u>\$ 2,940,252</u>	<u>\$ 1,608,167</u>	<u>\$ 146,915</u>	<u>\$ (2,415,109)</u>	<u>\$ 2,280,225</u>

Temporarily restricted net assets were available for the following purposes as of December 31, 2015:

	2014	Prior Year Activity			2015
		Contributions	Investment Income (Loss)	Released from Restrictions	
Acceleration initiative	\$ 71,766	\$ 833,487	\$ -0-	\$ (149,975)	\$ 755,278
Young investigators	489,947	229,260	10,525	(418,646)	311,086
Other research	2,358,553	562,444	(36,013)	(1,118,797)	1,766,187
Time restrictions	-0-	91,000	-0-	-0-	91,000
Education & resources	56,409	31,500	-0-	(71,208)	16,701
	<u>\$ 2,976,675</u>	<u>\$ 1,747,691</u>	<u>\$ (25,488)</u>	<u>\$ (1,758,626)</u>	<u>\$ 2,940,252</u>

Note 6: Permanently Restricted Net Assets

CureSearch's permanently restricted net assets are composed of two endowment funds, of which the original principal portion of each fund may not be expended.

CureSearch maintains the following endowment funds:

- **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 permanently restricted. 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 temporarily restricted net assets until released.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 6: Permanently Restricted Net Assets (Continued)

- Schow Fund - This fund was established by The Schow Foundation. The principal is permanently restricted. CureSearch can use the investment income, net of expenses, to fund research fellowship and young investigator awards. The accumulated income and gains (losses) are recorded as temporarily restricted net assets until released.

The Financial Accounting Standards Board (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 permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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.

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.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 6: Permanently Restricted Net Assets (Continued)

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<u>December 31, 2016</u>				
Corn Fund	\$ -0-	\$ 469,834	\$ 1,500,000	\$ 1,969,834
Schow Fund	-0-	-0-	1,000,000	1,000,000
	<u>\$ -0-</u>	<u>\$ 469,834</u>	<u>\$ 2,500,000</u>	<u>\$ 2,969,834</u>
<u>December 31, 2015</u>				
Corn Fund	\$ -0-	\$ 440,118	\$ 1,500,000	\$ 1,940,118
Schow Fund	-0-	29,337	1,000,000	1,029,337
	<u>\$ -0-</u>	<u>\$ 469,455</u>	<u>\$ 2,500,000</u>	<u>\$ 2,969,455</u>

Changes in endowment net assets as of and for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
Endowment net assets, December 31, 2014	\$ -0-	\$ 595,943	\$ 2,500,000	\$ 3,095,943
Contributions	-0-	-0-	-0-	-0-
Investment income, net	-0-	103,039	-0-	103,039
Unrealized gains (losses)	-0-	(128,527)	-0-	(128,527)
Amounts appropriated for expenditure	-0-	(101,000)	-0-	(101,000)
Endowment net assets, December 31, 2015	-0-	469,455	2,500,000	2,969,455
Contributions	-0-	-0-	-0-	-0-
Investment income, net	-0-	123,936	-0-	123,936
Unrealized gains (losses)	-0-	22,979	-0-	22,979
Amounts appropriated for expenditure	-0-	(146,536)	-0-	(146,536)
Endowment net assets, December 31, 2016	<u>\$ -0-</u>	<u>\$ 469,834</u>	<u>\$ 2,500,000</u>	<u>\$ 2,969,834</u>

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 7: Lease Commitments

Office Leases: CureSearch leases office space under a non-cancellable lease for its office located in Bethesda, Maryland. CureSearch also had office leases for locations in Silver Spring, Maryland and Charlotte, North Carolina. The Silver Spring lease expired on January 31, 2015 and was not renewed. The Charlotte lease expired on October 31, 2015 and was not renewed. The Bethesda lease expires in September 2019. The basic annual rent of the Bethesda lease is subject to a 3% increase per year. In addition to a base monthly rent payment, the Bethesda lease requires that CureSearch pay as additional rent its proportionate share of common area expenses and real estate taxes, as applicable.

Future minimum annual lease payments for each of the years subsequent to December 31, 2016 are as follows:

Year ending December 31:	
2017	\$ 173,415
2018	178,625
2019	<u>136,971</u>
	<u>\$ 489,011</u>

CureSearch had two separate agreements to sublease portions of its leased premises, both of which expired during the year 2015 and were not renewed.

Total rent expense, net of sublease rentals (2016 - \$-0- and 2015 - \$6,764) for the years ended December 31, 2016 and 2015, including additional rental amounts (2016 - \$7,637 and 2015 - \$11,902) was \$146,420 and \$144,495, respectively.

Equipment Leases: CureSearch leases various office equipment under lease agreements which expire in August 2019. Rent expense under these leases was \$6,869 and \$7,222 for the years ended December 31, 2016 and 2015, respectively. The minimum annual lease payments for each of the years subsequent to December 31, 2016 are as follows:

Year ending December 31:	
2017	\$ 5,333
2018	5,333
2019	<u>3,555</u>
	<u>\$ 14,221</u>

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 8: Pension Plans

Defined Contribution Benefit Plan: CureSearch sponsors an IRC 403(b) salary deferral retirement plan that generally covers all employees. Under the terms of the plan, participating employees may elect to contribute pre-tax dollars into the plan not to exceed the maximum contribution allowable under applicable provisions of the IRC. The plan allows for a tiered employer matching provision which ranges from 0% to 2%. The matching contribution is based on the percentage of the participant's elective deferral to the plan on an annual basis. Participants must have 12 months of service to qualify for an employer match. Contributions made by CureSearch to the plan for the years ended December 31, 2016 and 2015, were \$39,472 and \$33,222, respectively.

Deferred Compensation Plan: During the year ended December 31, 2014, CureSearch adopted a deferred compensation plan under IRC Section 457(b) for the benefit of certain key employees. The Plan became effective December 1, 2014. Under the terms of the plan, participating employees may elect to defer a portion of their compensation on a pre-tax basis into the plan not to exceed the maximum salary deferral amount allowable under the applicable provisions of the IRC. CureSearch may make discretionary contributions to the plan for each participating employee. Contributions made by CureSearch to the plan for the years ended December 31, 2016 and 2015 were \$11,383 and \$9,061, respectively. The deferred compensation amount is held in a separate investment account, referred to as assets held in trust in the statements of financial position.

Note 9: Grant Commitments

As of December 31, 2016, CureSearch has outstanding conditional grant commitments to be made totaling \$2,495,501. Grant payments are subject to the fulfillment of certain conditions, as defined in the respective grant agreements. Future expected conditional grant payments for each of the years subsequent to December 31, 2016 are as follows:

Year ending December 31:	
2017	\$ 1,339,743
2018	876,725
2019	<u>279,033</u>
	<u>\$ 2,495,501</u>

Note 10: Other Matter

Cash and Cash Equivalents: CureSearch maintains its cash balances in one financial institution. 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 the CureSearch Acceleration Initiative. This program was created, developed, marketed, and monitored by CureSearch. The partner has committed \$844,836 in direct support of this project, of which \$262,668 was paid directly to the grant recipients during the year. For financial reporting purposes, this commitment and the related payments are not included in the accompanying financial statements.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2016 and 2015

Note 11: Management's Plans

As reflected in the accompanying financial statements, CureSearch has incurred net losses of \$1,250,416 and \$311,492 and utilized \$1,325,709 and \$529,920 in cash and cash equivalents to fund operating activities during the years ended December 31, 2016 and 2015, respectively. These factors create uncertainty about CureSearch's ability to continue as a going concern.

In 2012, CureSearch became a privately funded research organization, after serving as the fiscal agent for the NCI grants to the Children's Oncology Group for over a decade. Since that time, CureSearch has re-engineered its research portfolio and has developed a unique strategy to move high potential research out of the academic lab into pediatric clinical trials and eventual commercialization.

In ramping up the new initiative, known as Catapult, legacy operations/fundraising have decreased. In 2017, CureSearch's Catapult will launch with new support from the pharmaceutical industry for program costs and CureSearch is aggressively seeking donations to the Catapult Impact Fund, with the first \$10 million donation targeted before year end. Concurrently, CureSearch has a new Chief Development Officer in place who is fine tuning their legacy fundraising operations and exploring new opportunities. In the meantime, CureSearch continues to reduce and streamline operating expenses, with the goal of consistently being under budget in future years. Management is confident that adequate resources will be available to alleviate the uncertainty as to CureSearch's ability to continue as a going concern.

CURESEARCH FOR CHILDREN'S CANCER

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015

Independent Auditor's Report on Supplementary Information

To the Board of Directors
CureSearch for Children's Cancer

We have audited the financial statements of CureSearch for Children's Cancer as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated October 18, 2017, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on the following pages is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
October 18, 2017

CURESEARCH FOR CHILDREN'S CANCER
Schedules of Functional Expenses
Years Ended December 31, 2016 and 2015

	2016			
	Program Services	Fundraising	Management and General	Total
Personnel expenses	\$ 1,312,977	\$ 1,177,987	\$ 456,527	\$ 2,947,491
Programmatic initiatives	2,477,612	-0-	-0-	2,477,612
Professional fees	72,660	45,003	144,390	262,053
Facilities expense	87,747	78,726	30,510	196,983
Supplies and services	74,900	67,200	26,043	168,143
Travel expenses	21,118	115,135	7,197	143,450
Bank and merchant fees	-0-	74,373	3,298	77,671
Meetings and conferences	16,716	32,763	14,732	64,211
Insurance	26,454	23,734	9,198	59,386
Printing and postage	22,978	20,616	7,990	51,584
Public relations	19,763	12,701	8,511	40,975
Depreciation	13,752	12,338	4,782	30,872
Registrations, permits and insurance	2,760	2,476	960	6,196
Miscellaneous	-0-	-0-	-0-	-0-
Total Expenses	\$ 4,149,437	\$ 1,663,052	\$ 714,138	\$ 6,526,627

2015

Program Services	Fundraising	Management and General	Total
\$ 1,150,774	\$ 1,342,350	\$ 397,667	\$ 2,890,791
2,231,363	-0-	-0-	2,231,363
44,818	52,149	183,135	280,102
88,710	104,258	30,703	223,671
57,151	144,504	19,731	221,386
2,098	124,098	7,304	133,500
3,594	110,034	4,508	118,136
486	17,945	17,667	36,098
20,330	23,615	7,037	50,982
17,598	11,694	3,485	32,777
105,213	58,844	30,845	194,902
12,851	14,928	4,448	32,227
5,200	6,041	1,800	13,041
-0-	-0-	1,184	1,184
\$ 3,740,186	\$ 2,010,460	\$ 709,514	\$ 6,460,160

