

CURESEARCH FOR CHILDREN'S CANCER

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017 AND 2016

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

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
August 30, 2018

CURESEARCH FOR CHILDREN'S CANCER
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 455,098	\$ 155,453
Accounts receivable	220,474	376,578
Contributions receivable	143,138	108,658
Investments, current portion	2,881,810	2,542,559
Prepaid expenses	33,675	90,834
Total Current Assets	<u>3,734,195</u>	<u>3,274,082</u>
Property, net of accumulated depreciation	<u>55,371</u>	84,362
Other Assets		
Investments, long-term portion	1,500,000	2,500,000
Assets held in trust	-0-	147,634
Deposits	24,802	24,802
Total Other Assets	<u>1,524,802</u>	<u>2,672,436</u>
Total Assets	<u><u>\$ 5,314,368</u></u>	<u><u>\$ 6,030,880</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 226,950	\$ 259,620
Deferred revenue	42,070	35,406
Deferred rent, current portion	45,849	38,321
Total Current Liabilities	<u>314,869</u>	<u>333,347</u>
Non-Current Liabilities		
Deferred rent, non-current portion	37,003	79,181
Deferred compensation	-0-	147,634
Total Non-Current Liabilities	<u>37,003</u>	<u>226,815</u>
Total Liabilities	<u>351,872</u>	560,162
Commitments (Notes 7, 8 and 9)		
Net Assets		
Unrestricted	416,635	690,493
Temporarily restricted	3,045,861	2,280,225
Permanently restricted	1,500,000	2,500,000
Total Net Assets	<u>4,962,496</u>	<u>5,470,718</u>
Total Liabilities and Net Assets	<u><u>\$ 5,314,368</u></u>	<u><u>\$ 6,030,880</u></u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Activities
Years Ended December 31, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	\$ 865,525	\$ 133,580	\$ -0-	\$ 999,105
Institutional grants and gifts	6,500	684,750	-0-	691,250
Cause and marketing revenue	79,027	27,138	-0-	106,165
Special events, net	1,670,600	801,108	-0-	2,471,708
Investment income, net	47,890	299,014	-0-	346,904
Other revenue	36,875	-0-	-0-	36,875
Transfer of Schow endowment fund	-0-	1,000,000	(1,000,000)	-0-
Net assets released from restrictions:				
Satisfaction of program restrictions	2,071,646	(2,071,646)	-0-	-0-
Satisfaction of time restrictions	108,308	(108,308)	-0-	-0-
Total Support and Revenue	<u>4,886,371</u>	<u>765,636</u>	<u>(1,000,000)</u>	<u>4,652,007</u>
Expenses				
Program services	<u>3,027,723</u>	-0-	-0-	<u>3,027,723</u>
Support services				
Fundraising	1,464,316	-0-	-0-	1,464,316
Management and general	668,190	-0-	-0-	668,190
Total Support Services	<u>2,132,506</u>	-0-	-0-	<u>2,132,506</u>
Total Expenses	<u>5,160,229</u>	-0-	-0-	<u>5,160,229</u>
Change in Net Assets	(273,858)	765,636	(1,000,000)	(508,222)
Net Assets at Beginning of Year	<u>690,493</u>	<u>2,280,225</u>	<u>2,500,000</u>	<u>5,470,718</u>
Net Assets at End of Year	<u>\$ 416,635</u>	<u>\$ 3,045,861</u>	<u>\$ 1,500,000</u>	<u>\$ 4,962,496</u>

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,055,459	\$ 289,325	\$ -0-	\$ 1,344,784
32,000	532,500	-0-	564,500
325,938	363,690	-0-	689,628
2,032,103	422,652	-0-	2,454,755
72,244	146,915	-0-	219,159
3,385	-0-	-0-	3,385
-0-	-0-	-0-	-0-
2,324,109	(2,324,109)	-0-	-0-
91,000	(91,000)	-0-	-0-
<u>5,936,238</u>	<u>(660,027)</u>	<u>-0-</u>	<u>5,276,211</u>
<u>4,149,437</u>	<u>-0-</u>	<u>-0-</u>	<u>4,149,437</u>
1,663,052	-0-	-0-	1,663,052
714,138	-0-	-0-	714,138
<u>2,377,190</u>	<u>-0-</u>	<u>-0-</u>	<u>2,377,190</u>
<u>6,526,627</u>	<u>-0-</u>	<u>-0-</u>	<u>6,526,627</u>
(590,389)	(660,027)	-0-	(1,250,416)
<u>1,280,882</u>	<u>2,940,252</u>	<u>2,500,000</u>	<u>6,721,134</u>
<u>\$ 690,493</u>	<u>\$ 2,280,225</u>	<u>\$ 2,500,000</u>	<u>\$ 5,470,718</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (508,222)	\$ (1,250,416)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	28,992	30,872
Net gains on investments	(236,778)	(87,968)
Donated stock contributions	(31,051)	(29,420)
Changes in operating assets and liabilities:		
Accounts receivable	156,104	(5,622)
Contributions receivable	(34,480)	(17,658)
Prepaid expenses	57,159	(39,954)
Deposits	-0-	3,689
Accounts payable and accrued expenses	(32,670)	29,198
Deferred revenue	6,664	1,768
Deferred rent	(34,650)	(33,283)
Deferred compensation	(147,634)	73,085
Net Cash Used in Operating Activities	<u>(776,566)</u>	<u>(1,325,709)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	1,043,664	1,905,826
Purchases of investments	(146,138)	(1,130,259)
Net proceeds from sale of donated stock	31,051	29,420
Decrease (increase) in assets held in trust	147,634	(62,644)
Net Cash Provided by Investing Activities	<u>1,076,211</u>	<u>742,343</u>
Net Increase (Decrease) in Cash and Cash Equivalents	299,645	(583,366)
Cash and Cash Equivalents at Beginning of Year	<u>155,453</u>	<u>738,819</u>
Cash and Cash Equivalents at End of Year	<u>\$ 455,098</u>	<u>\$ 155,453</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

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 monitor targeted, innovative pediatric cancer research that achieves measurable results in an expedited timeframe. To do so, 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:

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, 2017 and 2016 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016 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, 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, 2017 and 2016

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, 2017, in-kind contribution revenue consisted of consulting services and donated goods in the amount of \$40,505. During the year ended December 31, 2016, in-kind contribution revenue consisted of consulting services in the amount of \$73,325.

Advertising: Advertising costs are charged to operations when incurred. CureSearch had no significant direct-response advertising. Advertising expense for the years ended December 31, 2017 and 2016 totaled \$12,571 and \$6,258.

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, 2017 and 2016. 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 August 30, 2018, the date the financial statements were available to be issued. During the period from January 1, 2018 through August 30, 2018, CureSearch did not have any material recognizable subsequent events.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Investments

A summary of the investment portfolio is as follows at December 31, 2017 and 2016:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Corporate bonds, fixed income	\$ 2,176,633	\$ 2,196,945	\$ 2,955,746	\$ 2,981,126
Exchange traded funds, equity	1,525,719	735,849	1,327,442	730,794
Exchange traded funds, fixed income	468,203	434,391	477,770	446,775
Money market funds	201,178	201,178	281,601	281,601
Common stocks	10,077	175	-0-	-0-
Total investments	4,381,810	\$ 3,568,538	5,042,559	\$ 4,440,296
Investments classified as long-term:				
Endowment funds	<u>1,500,000</u>		<u>2,500,000</u>	
Investments, current portion	<u>\$ 2,881,810</u>		<u>\$ 2,542,559</u>	

Investment income, net, for the year ended December 31, 2017 consists of the following:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 60,155	\$ 73,547	\$ -0-	\$ 133,702
Net gains (losses) on investments	(3,861)	240,639	-0-	236,778
Investment expenses	(8,404)	(15,172)	-0-	(23,576)
	<u>\$ 47,890</u>	<u>\$ 299,014</u>	<u>\$ -0-</u>	<u>\$ 346,904</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>

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

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.

Commons Stocks: Valued at closing price reported on the active market in which the individual securities are traded.

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, 2017 and 2016

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, 2017 and 2016:

	Total	Level 1	Level 2	Level 3
<u>December 31, 2017</u>				
Corporate bonds, fixed income	\$ 2,176,633	\$ -0-	\$ 2,176,633	\$ -0-
Exchange traded funds, equity	1,525,719	1,525,719	-0-	-0-
Exchange traded funds, fixed income	468,203	468,203	-0-	-0-
Money market funds	201,178	201,178	-0-	-0-
Common stocks	10,077	10,077	-0-	-0-
	<u>\$ 4,381,810</u>	<u>\$ 2,205,177</u>	<u>\$ 2,176,633</u>	<u>\$ -0-</u>
<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>

Note 4: Property

Property consisted of the following at December 31, 2017 and 2016:

	2017	2016
Furniture and fixtures	\$ 18,545	\$ 32,650
Leasehold improvements	171,695	171,695
Computer and equipment	110,410	165,329
	<u>300,650</u>	<u>369,674</u>
Less: Accumulated depreciation	<u>245,279</u>	<u>285,312</u>
	<u>\$ 55,371</u>	<u>\$ 84,362</u>

Depreciation expense was \$28,992 and \$30,872 for the years ended December 31, 2017 and 2016, respectively.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017:

	2016		Current Year Activity			2017
		Contributions	Transfers	Investment Income	Released from Restrictions	
Catapult	\$ 202,529	\$ 275,424	\$ 1,000,000	\$ -0-	\$ (408,087)	\$ 1,069,866
Young investigators	227,490	225,000	(39,990)	20,967	(208,467)	225,000
Acceleration initiative	452,013	425,000	39,990	-0-	(728,860)	188,143
Education & resources	54,382	22,251	-0-	-0-	(47,449)	29,184
Time restrictions	108,308	27,138	-0-	-0-	(108,308)	27,138
Other research	1,235,503	671,763	-0-	278,047	(678,783)	1,506,530
	<u>\$ 2,280,225</u>	<u>\$ 1,646,576</u>	<u>\$ 1,000,000</u>	<u>\$ 299,014</u>	<u>\$ (2,179,954)</u>	<u>\$ 3,045,861</u>

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

	2015		Prior Year Activity		2016
		Contributions	Investment Income	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
Catapult	-0-	340,000	-0-	(137,471)	202,529
Time restrictions	91,000	108,308	-0-	(91,000)	108,308
Education & resources	16,701	45,000	-0-	(7,319)	54,382
Other research	1,766,187	511,579	129,205	(1,171,468)	1,235,503
	<u>\$ 2,940,252</u>	<u>\$ 1,608,167</u>	<u>\$ 146,915</u>	<u>\$ (2,415,109)</u>	<u>\$ 2,280,225</u>

Note 6: Permanently Restricted Net Assets

CureSearch's permanently restricted net assets is composed of one endowment fund as of December 31, 2017 and two endowment funds as of December 31, 2016, of which the original principal portion of the funds could not be expended. During the year ended December 31, 2017, the donor of the Schow Fund agreed to change this fund from an endowment fund for research fellowships and young investigator awards to a donor restricted fund for the purpose of supporting the Catapult initiative. As a result, this has been shown as a transfer from permanently restricted to temporarily restricted net assets on the statements of activities.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Permanently Restricted Net Assets (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 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.

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.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Permanently Restricted Net Assets (Continued)

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.

Endowment net asset composition by type of fund as of December 31, 2017 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<u>December 31, 2017</u>				
Corn Fund	\$ -0-	\$ 652,233	\$ 1,500,000	\$ 2,152,233
<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
	\$ -0-	\$ 469,834	\$ 2,500,000	\$ 2,969,834

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Permanently Restricted Net Assets (Continued)

Changes in endowment net assets as of and for the years ended December 31, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Assets
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	-0-	469,834	2,500,000	2,969,834
Contributions	-0-	-0-	-0-	-0-
Investment income, net	-0-	81,333	-0-	81,333
Unrealized gains (losses)	-0-	196,037	-0-	196,037
Transfer of Schow Fund	-0-	-0-	(1,000,000)	(1,000,000)
Amounts appropriated for expenditure	-0-	(94,971)	-0-	(94,971)
Endowment net assets, December 31, 2017	<u>\$ -0-</u>	<u>\$ 652,233</u>	<u>\$ 1,500,000</u>	<u>\$ 2,152,233</u>

Note 7: Lease Commitments

Office Leases: CureSearch leases office space under a non-cancellable lease for its office located in Bethesda, Maryland, which expires in September 2019. The basic annual rent of the lease is subject to a 3% increase per year. In addition to a base monthly rent payment, the 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, 2017 are as follows:

Year ending December 31:	
2018	\$ 178,625
2019	<u>136,971</u>
	<u>\$ 315,596</u>

Total rent expense for the years ended December 31, 2017 and 2016, including additional rental amounts (2017 - \$5,007 and 2016 - \$7,637) was \$125,327 and \$146,420, respectively.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

Note 7: Lease Commitments (Continued)

Equipment Leases: CureSearch leases various office equipment under lease agreements which expire in August 2019. Rent expense under these leases was \$10,434 and \$6,869 for the years ended December 31, 2017 and 2016, respectively. The minimum annual lease payments for each of the years subsequent to December 31, 2017 are as follows:

Year ending December 31:	
2018	\$ 5,333
2019	<u>3,555</u>
	<u>\$ 8,888</u>

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, 2017 and 2016, were \$33,924 and \$39,472, 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 has the option to make discretionary contributions to the plan for each participating employee. Contributions made by CureSearch to the plan for the years ended December 31, 2017 and 2016 were \$20,981 and \$11,383, respectively. The Plan was terminated in November 2017 and the balance was fully distributed to the participating employee. Prior to the termination, the deferred compensation amount was 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, 2017, CureSearch has outstanding conditional grant commitments to be made totaling \$1,155,758. 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, 2017 are as follows:

Year ending December 31:	
2018	\$ 876,725
2019	<u>279,033</u>
	<u>\$ 1,155,758</u>

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2017 and 2016

Note 10: Other Matters

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 CureSearch's Acceleration Initiative. This program was created, developed, marketed, and monitored by CureSearch. The partner has committed \$844,836 over three years in direct support of this project, of which \$254,612 and \$262,668 was paid directly to the grant recipients in 2017 and 2016, respectively.

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 during the year 2017.

For financial reporting purposes, these commitments and the related payments are not included in the accompanying financial statements.

Note 11: Management's Plans

As reflected in the accompanying financial statements, CureSearch has incurred net losses of \$508,222 and \$1,250,416 and utilized \$776,566 and \$1,325,709 in cash and cash equivalents to fund operating activities during the years ended December 31, 2017 and 2016, respectively. These factors create uncertainty about CureSearch's ability to continue as a going concern.

Prior to 2012, CureSearch was the fiscal agent for NCI grants to the Children's Oncology Group (COG) for over a decade. Since evolving into a privately funded research organization in 2012, CureSearch has created a best-in-class strategy to move high potential research out of the academic lab and into pediatric clinical trials and eventual commercialization. Its rigorous scientific review process, oversight and convening of all parties - scientific, pharma, regulatory and funding - is unique and highly valued in the field.

With growing pains as CureSearch worked through the process of becoming a self-supporting foundation, revenues declined in years 2013 through 2017. As such, in 2017 and 2018, leadership adjustments were made that have stabilized the strategies, focus and finances of CureSearch. Additionally, a thorough staff evaluation was made to look at revenue to cost ratios; the resulting right sizing of staff has created a balanced fundraising approach. CureSearch is far stronger, with year to date analysis showing revenue targets being exceeded while under spending budget. A focused effort on volunteer, community and corporate engagement, donor cultivation and departmental cross collaboration has resulted in efficiencies and leverage in our approach, building stronger relationships and revenue growth. Management is confident that adequate resources will be available to alleviate any uncertainty as to CureSearch's ability to continue as a going concern.

CURESEARCH FOR CHILDREN'S CANCER

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, and have issued our report thereon dated August 30, 2018, 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
August 30, 2018

CURESEARCH FOR CHILDREN'S CANCER
Schedules of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017			
	Program Services	Fundraising	Management and General	Total
Personnel expenses	\$ 1,246,860	\$ 1,011,697	\$ 402,258	\$ 2,660,815
Programmatic initiatives	1,404,136	-0-	-0-	1,404,136
Professional fees	79,797	46,406	160,663	286,866
Supplies and services	87,762	71,210	28,315	187,287
Facilities expense	83,147	67,466	26,825	177,438
Travel expenses	20,245	115,784	15,795	151,824
Bank and merchant fees	-0-	76,441	2,957	79,398
Meetings and conferences	28,247	20,087	8,439	56,773
Insurance	25,803	20,936	8,324	55,063
Public relations	24,288	12,027	5,529	41,844
Depreciation	13,586	11,023	4,383	28,992
Printing and postage	10,376	8,419	3,349	22,144
Registrations, permits and insurance	3,476	2,820	1,121	7,417
Miscellaneous	-0-	-0-	232	232
Total Expenses	<u>\$ 3,027,723</u>	<u>\$ 1,464,316</u>	<u>\$ 668,190</u>	<u>\$ 5,160,229</u>

2016

Program Services	Fundraising	Management and General	Total
\$ 1,312,977	\$ 1,177,987	\$ 456,527	\$ 2,947,491
2,477,612	-0-	-0-	2,477,612
72,660	45,003	144,390	262,053
74,900	67,200	26,043	168,143
87,747	78,726	30,510	196,983
21,118	115,135	7,197	143,450
-0-	74,373	3,298	77,671
16,716	32,763	14,732	64,211
26,454	23,734	9,198	59,386
19,763	12,701	8,511	40,975
13,752	12,338	4,782	30,872
22,978	20,616	7,990	51,584
2,760	2,476	960	6,196
-0-	-0-	-0-	-0-
\$ 4,149,437	\$ 1,663,052	\$ 714,138	\$ 6,526,627

