

CANCER RESEARCH FOUNDATION

FINANCIAL STATEMENTS

March 31, 2014 and 2013

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GOETTSCHÉ, TRANEN, WINTER & RUSSO

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INDEPENDENT AUDITOR'S REPORT

To: Board of Trustees
Cancer Research Foundation
Chicago, Illinois

We have audited the accompanying statements of financial position of the **Cancer Research Foundation** (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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 the **Cancer Research Foundation** as of March 31, 2014 and 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for 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.

Doctech Trenow Winter & Russo

Lincolnwood, Illinois
August 12, 2014

STATEMENTS OF FINANCIAL POSITION

March 31, 2014 and 2013

	2014	2013
A S S E T S		
Cash and Equivalents	\$ 38,065	\$ 188,554
Investments, at Fair Value	8,991,475	7,928,812
Accrued Interest Receivable	31,095	29,852
Prepaid Expenses		1,100
Security Deposit	1,831	1,700
Beneficial Interest in Charitable Remainder Trusts and Estates	56,636	15,831
Equipment - Net	2,195	1,717
TOTAL ASSETS	\$ 9,121,297	\$ 8,167,566
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants Payable	\$ 100,000	\$ 250,000
Accrued Liabilities	4,485	4,375
Total Current Liabilities	104,485	254,375
NET ASSETS		
Unrestricted Fund Balance	8,244,911	7,187,095
Temporarily Restricted Fund Balance	61,636	15,831
Restricted Fund Balance	710,265	710,265
Total Net Assets	9,016,812	7,913,191
TOTAL LIABILITIES AND NET ASSETS	\$ 9,121,297	\$ 8,167,566

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues								
Public Support Contributions	\$ 583,608	\$	\$	\$ 583,608	\$ 1,396,356	\$	\$	\$ 1,396,356
Investment Income	231,695			231,695	216,740			216,740
Change in Value of Charitable Remainder Trusts and Estates		45,805		45,805		(82,916)		(82,916)
Total Operating Revenues	<u>815,303</u>	<u>45,805</u>	<u></u>	<u>861,108</u>	<u>1,613,096</u>	<u>(82,916)</u>	<u></u>	<u>1,530,180</u>
EXPENSES								
Program Services								
Contributions and Grants Made to:								
The University of Chicago	300,000			300,000	575,000			575,000
Washington University	75,000			75,000	75,000			75,000
Miscellaneous Gifts	5,000			5,000	15,000			15,000
Other Program Service Costs	96,894			96,894	97,019			97,019
Total Program Services	<u>476,894</u>	<u></u>	<u></u>	<u>476,894</u>	<u>762,019</u>	<u></u>	<u></u>	<u>762,019</u>
Supporting Services								
Management and General	56,147			56,147	54,914			54,914
Fund Raising	56,795			56,795	50,325			50,325
Total Supporting Services	<u>112,942</u>	<u></u>	<u></u>	<u>112,942</u>	<u>105,239</u>	<u></u>	<u></u>	<u>105,239</u>
Total Expenses	<u>589,836</u>	<u></u>	<u></u>	<u>589,836</u>	<u>867,258</u>	<u></u>	<u></u>	<u>867,258</u>
NET OPERATING REVENUES	<u>225,467</u>	<u>45,805</u>	<u></u>	<u>271,272</u>	<u>745,838</u>	<u>(82,916)</u>	<u></u>	<u>662,922</u>
Other Gains								
Realized and Unrealized Gains on Investments	832,349			832,349	329,110			329,110
CHANGE IN NET ASSETS	<u>1,057,816</u>	<u>45,805</u>	<u></u>	<u>1,103,621</u>	<u>1,074,948</u>	<u>(82,916)</u>	<u></u>	<u>992,032</u>
Net Assets, Beginning of Year	7,187,095	15,831	710,265	7,913,191	6,112,147	98,747	710,265	6,921,159
NET ASSETS, END OF YEAR	<u>\$ 8,244,911</u>	<u>\$ 61,636</u>	<u>\$ 710,265</u>	<u>\$ 9,016,812</u>	<u>\$ 7,187,095</u>	<u>\$ 15,831</u>	<u>\$ 710,265</u>	<u>\$ 7,913,191</u>

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,103,621	\$ 992,032
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used In) Operating Activities		
Depreciation Expense	1,001	793
Net Realized and Unrealized (Gain) on Investments	(832,349)	(329,110)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accrued Interest Receivable	(1,243)	(2,940)
Prepaid Expenses	1,100	799
Security Deposit	(131)	
Beneficial Interest in Charitable Remainder Trusts and Estates	(40,805)	82,916
Increase (Decrease) in Liabilities:		
Accrued Liabilities	108	(5,166)
Grants Payable	(150,000)	100,000
Net Cash From Operating Activities	<u>81,302</u>	<u>839,324</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,740,364)	(3,143,831)
Proceeds from the Sale of Investments	1,510,052	1,680,093
Purchase of Equipment	(1,479)	
Net Cash (Used In) Investing Activities	<u>(231,791)</u>	<u>(1,463,738)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(150,489)	(624,414)
Cash and Cash Equivalents, Beginning of Year	188,554	812,968
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 38,065</u>	<u>\$ 188,554</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 1: NATURE OF PROGRAM SERVICES

The purpose of the Cancer Research Foundation (the "Foundation") is to obtain and distribute funds to recognized doctors, hospitals, laboratories, institutes, and centers engaged in cancer research.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis.

Classification of Net Assets

The Foundation's net assets have been grouped into three classes as defined below:

Unrestricted

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted

Net assets subject to donor-imposed stipulations that will be met by action of the Foundation and/or the passage of time.

Permanently Restricted

Net assets subject to donor-imposed stipulations requiring the funds be maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on these assets. Permanently restricted assets consist of the Foundation's endowment fund.

Public Support Contributions

Public Support contributions are recorded as revenue when received or when an unconditional promise to give is received by the Foundation. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Split interest agreements are recorded as revenue at their estimated future value when the Foundation is notified it has an irrevocable beneficial interest in such agreements. Changes in the estimated future value of split interest agreements are recorded annually in the Statement of Activities.

Contributions and Grants Made

Grants, are recorded as expenses when the Board approves the grants. Grants approved by the Board, but not yet paid, are recorded as liabilities in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Cash Equivalents**

The Foundation considers all liquid investments purchased with a maturity of three months or less and designated to be used to support daily operations to be cash equivalents. These investments are held in general operating bank accounts. The Foundation considers all liquid money market funds held by the custodian and controlled by the investment manager to be investments as described in Note 4 of these financial statements.

Investments

Investments consist of publicly traded securities and are carried at fair market value, based on quoted market prices. Interest and dividends are included in operating revenues as investment income net of custodial and investment advisory fees. Realized and unrealized gains and losses are stated as other gains and losses on the Statement of Activities. Custodial and investment advisory fees amounted to \$69,969 and \$58,656 in the fiscal years ended March 31, 2014 and 2013 respectively.

Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Equipment purchased by the Foundation is stated at cost. Depreciation of assets begins when the assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful life of the equipment. Depreciation expense amounted to \$1,001 and \$793 in the fiscal years ended March 31, 2014 and 2013 respectively.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from those estimates.

Fair Value Measurements

The Foundation accounts for its financial instruments at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset in the principal or most advantageous market for the asset. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instruments recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose value is based on quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs includes quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; pricing models whose inputs are observable for substantially the full term of the asset or liability; and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about what market participants would use in pricing the asset or liability developed using the best information available including assistance from investment advisors.

NOTE 3: BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS AND ESTATES

During the year, the Foundation was notified, and received, new bequests of \$179,566. One ongoing bequest of \$7,900 from the prior year was received. One additional installment of \$7,900 remains and will be received in the following year. The Foundation was also notified that there were remainder amounts in an estate that the Foundation would receive; however, the amount cannot be reasonably determined at the time of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 4: INVESTMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the organization measures fair value refer to Note 2.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of March 31, 2014 and 2013.

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs Other than Quoted Market Prices (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2014:				
Money Market Funds	\$ 347,757	\$ 347,757	\$	\$
Corporate Bonds and Warrants	1,760,999	1,760,999		
Stocks and Securities	<u>6,882,719</u>	<u>6,882,719</u>	<u> </u>	<u> </u>
Total	<u>\$ 8,991,475</u>	<u>\$ 8,991,475</u>	<u>\$</u>	<u>\$</u>
March 31, 2013:				
Money Market Funds	\$ 438,146	\$ 438,146	\$	\$
Corporate Bonds and Warrants	1,725,140	1,725,140		
Stocks and Securities	<u>5,765,526</u>	<u>5,765,526</u>	<u> </u>	<u> </u>
Total	<u>\$ 7,928,812</u>	<u>\$ 7,928,812</u>	<u>\$</u>	<u>\$</u>

NOTE 5: PERMANENTLY RESTRICTED NET ASSETS

The Foundation received endowments totaling \$710,265 from the Eugene and Dorothy S. Fletcher Trust. The terms of the endowments permit the use of investment earnings for laboratory research.

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies 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, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

During the year, the Foundation received \$43,075 from the Lucille Karella Trust. The Trust dictates that the proceeds be used for Lymphoma research. The Foundation used \$25,000 in the current year and plans to use the remaining balance of \$18,075 in the following year.

NOTE 7: GRANTS MADE TO THE UNIVERSITY OF CHICAGO

Grants made to the University of Chicago were directed to the following researchers:

Name	2014	2013
Dr. Churpek	\$	\$ 75,000
Dr. LaBelle		75,000
Dr. Liu		75,000
Dr. Sharma		75,000
Dr. Smieliauskas		75,000
Dr. Lengyel		100,000
Dr. Onel		100,000
Dr. Huang	75,000	
Dr. McNerney	75,000	
Dr. VanderWeele	75,000	
Dr. Godley	<u>75,000</u>	
Total	<u>\$ 300,000</u>	<u>\$ 575,000</u>

NOTE 8: GRANTS MADE TO OTHER INSTITUTIONS

Grants were made to following researchers during the year:

Name	Institution	2014	2013
Dr. DeNardo	Washington University	\$	\$ 75,000
Dr. Stolzel	Univ. of Technologies Dresden		15,000
Dr. Maher	Washington University	<u>75,000</u>	
Total		<u>\$ 75,000</u>	<u>\$ 90,000</u>

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 9: ADVERTISING COSTS

It is the Foundation's policy to expense advertising costs as incurred.

NOTE 10: FUND-RAISING EXPENSE

Total fundraising expense for the years ended March 31, 2014 and 2013 amounted to \$56,795 and \$50,325, respectively. Fund-raising expenses are computed using actual expenses and an allocation of expenses based on management's estimate.

NOTE 11: LEASE AGREEMENT

The Foundation is obligated for future minimum rental commitments totaling \$15,835 under a non-cancelable operating lease for office space expiring in August 2015. The agreement provides for annual base rents plus additional rents relating to future increases in the building's operating expenses and real estate taxes. Rent expense during the years ended March 31, 2014 and 2013, totaled \$11,873 and \$12,570 respectively.

Minimum payments scheduled under these leases for the following years:

March 31, 2015	\$ 11,144
March 31, 2016	<u>4,691</u>
Total	<u><u>\$ 15,835</u></u>

NOTE 12: TAX STATUS

The United States Treasury Department has advised that the Foundation is a not-for-profit corporation organized and operated exclusively for charitable and scientific purposes, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation as defined in Section 509(a), of the Internal Revenue Code.

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2014 and 2013

NOTE 13: CONCENTRATIONS OF CREDIT RISK

At times during the year, the Foundation may maintain certain bank account balances in excess of the FDIC's insured limits.

The Foundation is a member of the Combined Federal Campaign and Local Independent Charities of America whereby government employees make donations to selected charities through payroll withholdings. Contributions from these organizations amounted to 69% and 33% of total public support for the years ended March 31, 2014 and 2013, respectively.

The Foundation received bequests which comprised 24% and 57% of total public support for the years ended March 31, 2014 and 2013, respectively.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2014, the date which the financial statements were available for issue. There were no subsequent events that require disclosure.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended March 31, 2014 and 2013

	2014				2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 375,000	\$	\$	\$ 375,000	\$ 665,000	\$	\$	\$ 665,000
Donations	5,000			5,000				
Payroll and Taxes	77,560	42,305	21,153	141,018	74,329	40,543	20,272	135,144
Legal and Professional	5,950	5,950	2,975	14,875	5,560	5,560	2,780	13,900
Telephone	917	917	458	2,292	1,058	1,058	529	2,645
Postage and Office Supplies	1,152	1,152	575	2,879	1,429	1,429	714	3,572
Advertising			27,995	27,995			21,376	21,376
Rent	4,749	4,749	2,375	11,873	5,028	5,028	2,514	12,570
Meeting Expense	407			407				
Insurance	1,249	999	250	2,498	1,555	1,244	311	3,110
Newsletter	2,026		507	2,533	4,185		1,046	5,231
Internet	1,808		452	2,260	3,030		757	3,787
Dues and Subscriptions	33	33	34	100				
Depreciation	1,001			1,001	793			793
Miscellaneous	42	42	21	105	52	52	26	130
TOTAL FUNCTIONAL EXPENSES	<u>\$ 476,894</u>	<u>\$ 56,147</u>	<u>\$ 56,795</u>	<u>\$ 589,836</u>	<u>\$ 762,019</u>	<u>\$ 54,914</u>	<u>\$ 50,325</u>	<u>\$ 867,258</u>

The accompanying notes are an integral part of these statements.

