

**CANCER RESEARCH FOUNDATION**

**FINANCIAL STATEMENTS**

**March 31, 2015 and 2014**

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**GOETTSCHÉ, TRANEN, WINTER & RUSSO**

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## INDEPENDENT AUDITORS' 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, 2015 and 2014, 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.

### **Auditors' 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, 2015 and 2014, 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.

*Boetche Trueman Winter & Russo*

Lincolnwood, Illinois  
September 10, 2015

## STATEMENTS OF FINANCIAL POSITION

March 31, 2015 and 2014

	2015	2014
<b>A S S E T S</b>		
Cash and Equivalents	\$ 43,465	\$ 38,065
Investments, at Fair Value	9,912,424	8,991,475
Accrued Interest Receivable	32,889	31,095
Security Deposit	1,831	1,831
Beneficial Interest in Charitable Remainder Trusts and Estates	14,077	56,636
Equipment - Net	1,494	2,195
<b>TOTAL ASSETS</b>	<b>\$ 10,006,180</b>	<b>\$ 9,121,297</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Grants Payable	\$ 325,000	\$ 100,000
Accrued Liabilities	4,045	4,485
<b>Total Current Liabilities</b>	<b>329,045</b>	<b>104,485</b>
<b>NET ASSETS</b>		
Unrestricted Fund Balance	8,933,783	8,244,911
Temporarily Restricted Fund Balance	33,087	61,636
Restricted Fund Balance	710,265	710,265
<b>Total Net Assets</b>	<b>9,677,135</b>	<b>9,016,812</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,006,180</b>	<b>\$ 9,121,297</b>

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

CANCER RESEARCH FOUNDATION

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Public Support Contributions	\$ 373,709	\$	\$	\$ 373,709	\$ 583,608	\$	\$	\$ 583,608
Investment Income	268,507			268,507	231,695			231,695
Change in Value of Charitable Remainder								
Trusts and Estates		(28,549)		(28,549)		45,805		45,805
Realized and Unrealized Gains on Investments	904,641			904,641	832,349			832,349
<b>Total Revenues</b>	<u>1,546,857</u>	<u>(28,549)</u>		<u>1,518,308</u>	<u>1,647,652</u>	<u>45,805</u>		<u>1,693,457</u>
<b>EXPENSES</b>								
<b>Program Services</b>								
Contributions and Grants Made to:								
The University of Chicago	565,730			565,730	300,000			300,000
Washington University	75,000			75,000	75,000			75,000
University of Calgary	17,500			17,500	5,000			5,000
Other Program Service Costs	96,479			96,479	96,894			96,894
<b>Total Program Services</b>	<u>754,709</u>			<u>754,709</u>	<u>476,894</u>			<u>476,894</u>
<b>Supporting Services</b>								
Management and General	56,172			56,172	56,147			56,147
Fund Raising	47,104			47,104	56,795			56,795
<b>Total Supporting Services</b>	<u>103,276</u>			<u>103,276</u>	<u>112,942</u>			<u>112,942</u>
<b>Total Expenses</b>	<u>857,985</u>			<u>857,985</u>	<u>589,836</u>			<u>589,836</u>
<b>CHANGE IN NET ASSETS</b>	688,872	(28,549)		660,323	1,057,816	45,805		1,103,621
Net Assets, Beginning of Year	8,244,911	61,636	710,265	9,016,812	7,187,095	15,831	710,265	7,913,191
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 8,933,783</u>	<u>\$ 33,087</u>	<u>\$ 710,265</u>	<u>\$ 9,677,135</u>	<u>\$ 8,244,911</u>	<u>\$ 61,636</u>	<u>\$ 710,265</u>	<u>\$ 9,016,812</u>

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

Years Ended March 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 660,323	\$ 1,103,621
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities		
Depreciation Expense	701	1,001
Net Realized and Unrealized (Gain) on Investments	(904,641)	(832,349)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accrued Interest Receivable	(1,794)	(1,243)
Prepaid Expenses		1,100
Security Deposit		(131)
Beneficial Interest in Charitable Remainder Trusts and Estates	42,559	(40,805)
Increase (Decrease) in Liabilities:		
Accrued Liabilities	(438)	108
Grants Payable	225,000	(150,000)
<b>Net Cash From Operating Activities</b>	<u>21,710</u>	<u>81,302</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(2,089,598)	(1,740,364)
Proceeds from the Sale of Investments	2,073,288	1,510,052
Proceeds from the Sale of Equipment		(1,479)
<b>Net Cash (Used In) Investing Activities</b>	<u>(16,310)</u>	<u>(231,791)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	5,400	(150,489)
Cash and Cash Equivalents, Beginning of Year	38,065	188,554
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 43,465</u>	<u>\$ 38,065</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2015 and 2014

**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, 2015 and 2014

**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 \$75,500 and \$69,969 in the fiscal years ended March 31, 2015 and 2014 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 \$701 and \$1,001 in the fiscal years ended March 31, 2015 and 2014 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, 2015 and 2014

**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 \$14,750. One final bequest of \$7,900 was received from a multiple year bequest. 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, 2015 and 2014

**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, 2015 and 2014.

	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)
<b>March 31, 2015:</b>				
Money Market Funds	\$ 267,004	\$ 267,004	\$	\$
Corporate Bonds and Warrants	1,702,529	1,702,529		
Stocks and Securities	<u>7,942,891</u>	<u>7,942,891</u>	_____	_____
<b>Total</b>	<b><u>\$ 9,912,424</u></b>	<b><u>\$ 9,912,424</u></b>	<b><u>\$ _____</u></b>	<b><u>\$ _____</u></b>
<b>March 31, 2014:</b>				
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>	_____	_____
<b>Total</b>	<b><u>\$ 8,991,475</u></b>	<b><u>\$ 8,991,475</u></b>	<b><u>\$ _____</u></b>	<b><u>\$ _____</u></b>

**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, 2015 and 2014

**NOTE 6: TEMPORARILY RESTRICTED NET ASSETS**

The Foundation receives notification of interest from estates and trusts. During the year, \$14,077 was outstanding and expected to be received within a year. The Foundation also received the final amount from the Lucille Karella Trust. The Trust dictates that the proceeds of \$19,009 be used for Lymphoma research.

**NOTE 7: GRANTS MADE TO THE UNIVERSITY OF CHICAGO**

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

Name	2015	2014
Dr. Huang	\$	\$ 75,000
Dr. McNerney		75,000
Dr. VanderWeele		75,000
Dr. Godley		75,000
Dr. Saloura	75,000	
Dr. Cheng	75,000	
Dr. Dickinson	75,000	
Dr. Becker	75,000	
Dr. Macleod	100,000	
Dr. Godley	17,500	
Refund of Unused Monies	<u>1,770</u>	<u>          </u>
<b>Total Grants Payable within a Year</b>	<b>\$ 419,270</b>	<b>\$ 300,000</b>
Ann Dudley Goldblatt Visiting Fellowship – to be paid in equal installments in 2017 and 2018	<u>150,000</u>	<u>          </u>
<b>Total Grants Payable</b>	<b>\$ <u>565,730</u></b>	<b>\$ <u>300,000</u></b>

**NOTE 8: GRANTS MADE TO OTHER INSTITUTIONS**

Grants were made to following researchers during the year:

Name	Institution	2015	2014
Dr. Maher	Washington University	\$	\$ 75,000
Dr. Owen	University of Calgary	17,500	
Dr. Arora	Washington University	<u>75,000</u>	<u>          </u>
<b>Total</b>		<b>\$ <u>92,500</u></b>	<b>\$ <u>75,000</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended March 31, 2015 and 2014

**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, 2015 and 2014 amounted to \$47,104 and \$56,795, 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, 2015 and 2014, totaled \$12,137 and \$11,873 respectively.

Minimum payments scheduled under these leases for the following years:

March 31, 2016	\$ <u>3,753</u>
<b>Total</b>	<b>\$ <u>3,753</u></b>

**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, 2015 and 2014

**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 75% and 69% of total public support for the years ended March 31, 2015 and 2014, respectively.

The Foundation received bequests which comprised 4% and 24% of total public support for the years ended March 31, 2015 and 2014, respectively.

**NOTE 14: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 10, 2015, the date which the financial statements were available for issue. There were no subsequent events that require disclosure.

CANCER RESEARCH FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended March 31, 2015 and 2014

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants	\$ 658,230	\$	\$	\$ 658,230	\$ 375,000	\$	\$	\$ 375,000
Donations					5,000			5,000
Payroll and Taxes	77,746	42,407	21,204	141,357	77,560	42,305	21,153	141,018
Legal and Professional	5,960	5,960	2,980	14,900	5,950	5,950	2,975	14,875
Telephone	1,002	1,002	500	2,504	917	917	458	2,292
Postage and Office Supplies	997	997	499	2,493	1,152	1,152	575	2,879
Advertising			18,302	18,302			27,995	27,995
Rent	4,855	4,855	2,427	12,137	4,749	4,749	2,375	11,873
Meeting Expense	377			377	407			407
Insurance	1,115	892	222	2,229	1,249	999	250	2,498
Newsletter	2,225		556	2,781	2,026		507	2,533
Internet	1,442		361	1,803	1,808		452	2,260
Dues and Subscriptions	47	47	47	141	33	33	34	100
Depreciation	701			701	1,001			1,001
Miscellaneous	12	12	6	30	42	42	21	105
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 754,709</u>	<u>\$ 56,172</u>	<u>\$ 47,104</u>	<u>\$ 857,985</u>	<u>\$ 476,894</u>	<u>\$ 56,147</u>	<u>\$ 56,795</u>	<u>\$ 589,836</u>

See the independent auditors' report.