

National Foundation for Cancer Research, Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

REPORT OF INDEPENDENT AUDITORS	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION	15
SUPPLEMENTAL INFORMATION	
Consolidating Statement of Financial Position	16
Consolidating Statement of Activities	17

REPORT OF INDEPENDENT AUDITORS

Board of Directors
National Foundation for Cancer Research, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Foundation for Cancer Research, Inc. and affiliates, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

REPORT OF INDEPENDENT AUDITORS

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Foundation for Cancer Research, Inc. and affiliates as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Brad Beebe". The signature is written in a cursive, flowing style.

A Professional Corporation
Bethesda, MD
May 3, 2016

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
ASSETS		
Cash	\$ 2,820,551	\$ 3,709,632
Accounts receivable	286,488	169,251
Prepaid expenses and other assets	389,623	452,366
Furniture and equipment, net of accumulated depreciation and amortization	54,121	56,403
Investments	7,547,216	7,733,455
Amounts held in trust by others	2,376,158	2,534,921
TOTAL ASSETS	<u>\$ 13,474,157</u>	<u>\$ 14,656,028</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 848,870	\$ 922,173
Research contracts and grants payable	967,837	2,091,986
Accrued compensation and benefits	120,775	123,429
TOTAL LIABILITIES	<u>1,937,482</u>	<u>3,137,588</u>
NET ASSETS		
Unrestricted		
Designated for research contracts	4,420,930	4,394,430
Undesignated	3,738,277	3,543,743
	<u>8,159,207</u>	<u>7,938,173</u>
Temporarily restricted	1,418,289	1,469,940
Permanently restricted	1,959,179	2,110,327
TOTAL NET ASSETS	<u>11,536,675</u>	<u>11,518,440</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,474,157</u>	<u>\$ 14,656,028</u>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Public support	\$ 10,012,371	\$ 706,343	\$ -	\$ 10,718,714	\$ 10,688,367	\$ 300,441	\$ -	\$ 10,988,808
Bequests	1,721,327	-	-	1,721,327	2,481,734	-	298,654	2,780,388
Mailing list rental	358,032	-	-	358,032	370,997	-	-	370,997
Investment income (loss)	(3,850)	-	-	(3,850)	279,266	-	-	279,266
Change in value of split-interest agreements	(57,754)	(7,620)	(151,148)	(216,522)	(20,537)	26,306	115,926	121,695
Other revenue	23,327	-	-	23,327	75,955	-	-	75,955
Non-cash research support	590,028	-	-	590,028	1,510,916	-	-	1,510,916
Net assets released from restrictions	750,374	(750,374)	-	-	448,209	(448,209)	-	-
TOTAL REVENUE AND SUPPORT	13,393,855	(51,651)	(151,148)	13,191,056	15,834,907	(121,462)	414,580	16,128,025
EXPENSES								
Program services								
Research	3,950,277	-	-	3,950,277	5,613,499	-	-	5,613,499
Public education and information	5,729,242	-	-	5,729,242	5,767,573	-	-	5,767,573
	9,679,519	-	-	9,679,519	11,381,072	-	-	11,381,072
Supporting services								
Fundraising	2,654,129	-	-	2,654,129	2,805,853	-	-	2,805,853
Management and general	839,173	-	-	839,173	889,056	-	-	889,056
	3,493,302	-	-	3,493,302	3,694,909	-	-	3,694,909
TOTAL EXPENSES	13,172,821	-	-	13,172,821	15,075,981	-	-	15,075,981
CHANGE IN NET ASSETS	221,034	(51,651)	(151,148)	18,235	758,926	(121,462)	414,580	1,052,044
NET ASSETS AT BEGINNING OF YEAR	7,938,173	1,469,940	2,110,327	11,518,440	7,179,247	1,591,402	1,695,747	10,466,396
NET ASSETS AT END OF YEAR	\$ 8,159,207	\$ 1,418,289	\$ 1,959,179	\$ 11,536,675	\$ 7,938,173	\$ 1,469,940	\$ 2,110,327	\$ 11,518,440

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

EXPENSES	2015					2014				
	Cancer Research	Public Education and Information	Fundraising	Management and General	Total	Cancer Research	Public Education and Information	Fundraising	Management and General	Total
Accounting and auditing	\$ -	\$ -	\$ -	\$ 40,478	\$ 40,478	\$ -	\$ -	\$ -	\$ 38,763	\$ 38,763
Bank and payroll service fees	-	-	-	148,016	148,016	-	-	-	137,018	137,018
Creative fees	-	12,729	9,571	-	22,300	-	15,026	7,974	-	23,000
Data services	617	509,571	198,799	887	709,874	8,642	511,451	188,623	5,651	714,367
Depreciation and amortization	7,980	4,537	2,515	2,502	17,534	8,763	4,811	2,773	3,078	19,425
Dues and subscriptions	8,749	-	1,295	20,111	30,155	6,812	2,217	2,590	12,624	24,243
Insurance	16,591	9,416	5,206	5,198	36,411	16,159	8,906	5,165	5,713	35,943
Investment fees	-	-	-	57,829	57,829	-	-	-	57,802	57,802
Legal fees and expenses	11,564	-	-	77,658	89,222	1,546	-	-	91,241	92,787
Licenses and permits	-	-	-	25,332	25,332	-	-	-	25,568	25,568
Listing processing fees	-	49,293	19,723	-	69,016	-	51,036	21,484	-	72,520
List rental	-	249,011	70,388	-	319,399	-	341,157	94,377	-	435,534
Lockbox and data entry	-	119,094	47,586	-	166,680	-	128,053	53,929	-	181,982
Major gifts	-	-	5,173	-	5,173	-	-	9,424	-	9,424
Mailshop fees	-	304,972	482,472	-	787,444	-	302,626	614,580	-	917,206
Miscellaneous	-	8,415	8,188	11,079	27,682	-	-	-	26,763	26,763
Non-cash contributions	590,028	-	-	-	590,028	1,510,916	-	-	-	1,510,916
Occupancy	89,095	50,412	27,681	28,016	195,204	82,401	45,557	26,377	29,091	183,426
Office supplies and expenses	11,492	6,527	3,605	4,004	25,628	12,774	7,027	4,149	7,385	31,335
Other professional fees	150,017	279,691	57,145	36,747	523,600	21,324	285,112	50,084	48,319	404,839
Personnel	1,040,840	591,170	327,287	340,925	2,300,222	940,829	519,072	301,833	340,113	2,101,847
Planned giving	-	-	-	5,670	5,670	-	-	-	5,282	5,282
Postage	38	1,952,933	803,984	3,794	2,760,749	402	1,900,066	773,070	5,540	2,679,078
Printing and publication	-	1,521,798	567,660	5,123	2,094,581	-	1,572,293	620,631	13,124	2,206,048
Production fees	-	-	-	-	-	-	825	1,675	-	2,500
Public education and website	2,740	54,707	13,041	-	70,488	990	66,870	24,284	105	92,249
Research contracts and grants	1,981,849	-	-	-	1,981,849	2,946,156	-	-	-	2,946,156
Telephone services	8,595	4,886	2,707	2,697	18,885	8,109	4,468	2,589	2,864	18,030
Travel and business meetings	30,082	80	103	23,107	53,372	47,676	1,000	242	33,012	81,930
TOTAL EXPENSES	\$ 3,950,277	\$ 5,729,242	\$ 2,654,129	\$ 839,173	\$ 13,172,821	\$ 5,613,499	\$ 5,767,573	\$ 2,805,853	\$ 889,056	\$ 15,075,981

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,235	\$ 1,052,044
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net loss on investments	366,898	39,054
Donated investment securities	(24,840)	(13,501)
Depreciation and amortization	17,534	19,425
(Increase) decrease in		
Accounts receivable	(117,237)	48,635
Prepaid expenses and other assets	62,743	(18,102)
Amounts held in trust by others	158,763	(440,886)
Increase (decrease) in		
Accounts payable	(73,303)	172,482
Research contracts and grants payable	(1,124,149)	483,700
Accrued compensation and benefits	(2,654)	(1,313)
	<u>(718,010)</u>	<u>1,341,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(15,252)	(10,015)
Purchases of investments	(2,615,608)	(2,997,952)
Sales of investments	2,459,789	2,846,013
	<u>(171,071)</u>	<u>(161,954)</u>
INCREASE (DECREASE) IN CASH	(889,081)	1,179,584
CASH AT BEGINNING OF YEAR	<u>3,709,632</u>	<u>2,530,048</u>
CASH AT END OF YEAR	<u>\$ 2,820,551</u>	<u>\$ 3,709,632</u>
SUPPLEMENTAL INFORMATION		
Cash paid for income taxes	<u>\$ 1,215</u>	<u>\$ 2,000</u>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1: ORGANIZATION

The National Foundation for Cancer Research, Inc. (the NFCR) was incorporated in Massachusetts in 1973 to support basic science cancer research projects including the theories of Dr. Albert Szent-Gyorgyi, who discovered Vitamin C. The NFCR is dedicated to supporting "high risk/high reward" cancer research and public education relating to prevention, early diagnosis, better treatments and, ultimately, a cure for cancer.

The NFCR established six tax exempt entities: the Cancer Research Laboratories Foundation, Inc. (established in 1996), the Cancer Research Coalition (established in 1997), the Fund for Inherited Disease Research (FIDR), the Consortium for Clinical Diagnostics (CCDx), NFCR Western Chapter, and NFCR Mid-Atlantic Chapter. Both the Cancer Research Laboratories Foundation, Inc. and the Cancer Research Coalition were inactive and had no net assets for the years ended December 31, 2015 and 2014. FIDR and CCDx were, respectively, incorporated in October 2000 and March 2003, as tax-exempt supporting organizations to the NFCR. The Western and Mid-Atlantic chapters were created in 2011 to assist with fundraising.

FIDR conducted research focused on the correction of genetic mutations in chromosomal DNA. In an effort to streamline research related to these types of cancer, FIDR transitioned its cancer related research operations to other organizations and the organization was dissolved on August 26, 2015. All assets at dissolution which consisted solely of cash balances totaling \$8,364, were transferred to the NFCR.

CCDx is a partnership of scientists at research institutions and biopharmaceutical companies dedicated to facilitating genomic research and developing new diagnostic tools. CCDx provides a centralized infrastructure and expertise in genomics and molecular imaging as well as translational medicine.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the National Foundation for Cancer Research, Inc. and Affiliates (collectively, the Foundation) have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Consolidation

The consolidated financial statements include the accounts and transactions of the NFCR, and the accounts and transactions of FIDR, NFCR Western Chapter, NFCR Mid-Atlantic Chapter, and CCDx. All significant intercompany transactions and accounts have been eliminated.

Accounting Estimates

The preparation of consolidated 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 the disclosure of contingencies, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Due (To) From The Asian Fund for Cancer Research

The Asian Fund for Cancer Research (AFCR) is an independent legal charity based in Hong Kong, that is committed to fighting cancer through research in prevention, earlier diagnostic techniques, more effective treatments and ultimately, achieving one of medicine's greatest goals; curing cancer. A key executive of the NFCR also serves as a key executive of AFCR. During 2015, AFCR pledged \$50,000 to the NFCR. During 2014, the NFCR pledged \$550,000 to AFCR. The NFCR also pays expenses on behalf of AFCR, which are reimbursed by AFCR, these expenses totaled \$19,678 and \$15,355 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, due from AFCR was \$114,023 and is included in accounts receivable on the consolidated statements of financial position. As of December 31, 2014, due to AFCR was \$460,655 and is included in research contracts and grants payable on the consolidated statements of financial position.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Management believes the amount in accounts receivable at December 31, 2015 and 2014 are fully collectible.

Net Assets

Net assets are reported as temporarily restricted or permanently restricted if they arise from contributions received with donor stipulations on their use. Temporarily restricted net assets are the portion of net assets resulting from contributions or other inflows of assets whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the organization pursuant to those stipulations. Permanently restricted net assets are the portion of net assets whose use is limited by donor-imposed stipulation that cannot be removed by the passage of time or action of the organization.

Unrestricted net assets are the portion of net assets that are not subject to limitations imposed by donors, but which may be subject to limitations and allocations imposed by the board of directors.

Bequests

The Foundation is the beneficiary under various wills and trust agreements. The Foundation records such amounts when notified that the estate has cleared probate.

Prepaid Expenses

Prepaid expenses generally include insurance, rent, and unused postage paid prior to December 31.

Furniture and Equipment

Furniture and equipment are capitalized at cost. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Office furniture and equipment	5 - 10 years
Computers, software and equipment	3 - 10 years

Leasehold improvements are amortized over the remaining term of the lease.

Investments

Investments are presented at fair value determined as follows:

- U.S. government bonds, exchange traded funds, mutual funds and common and preferred stocks are valued based on quoted market prices.
- Corporate bonds are valued using the closing price reported of like assets, corroborated market data, indices and/or yield curves.
- Money market funds are valued at cost, which approximates fair value.

The gains and losses (unrealized and realized) in the fair value of investments is comprised of the net change in the fair value of investments bought, sold and held during the year. Purchases and sales of investments are reflected on a trade date basis. Dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Amounts Held in Trust by Others

Amounts held in trust by others include perpetual trusts and interests in charitable trusts. The perpetual trusts are stated at fair value of the assets using the closing price reported of like assets, corroborated market data, indices and/or yield curves. The NFCR's interests in charitable trusts are stated at fair value using the closing price reported of like assets, corroborated market data, indices and/or yield curves, representing the estimated amount to be received at the termination of the trusts.

Mailing List Rental Revenue

Revenue from mailing list rentals is recognized at the time these client lists are mailed out to the entities that requested them. Mailing list rental revenue is recorded net of the fee charged by the mailing list broker.

Contributions

Public support is recorded as revenue when contributions, which include unconditional promises to give (pledges), are unconditionally committed. The Foundation has adopted a policy of recording donor-restricted contributions as unrestricted revenue if the restrictions are met in the same reporting period as the gift is received.

Research Contracts and Grants

The NFCR awards both research contracts and grants.

Research Contracts

The NFCR enters into agreements with universities and other institutions to conduct scientific research on their premises, in accordance with policies established by the board of directors of the NFCR. Research contracts payable represents research expenses incurred during the years ended December 31, 2015 and 2014 under these contracts, but not yet paid to the institutions by December 31, 2015 and 2014. The NFCR records the expenses on these contracts in the period they are incurred based on the expenditure reports submitted by the institutions.

Grants

The NFCR awards certain research grants to selected scientists to fund their research programs in accordance with policies established by the board of directors of the NFCR. The NFCR records these as expenses once the grants are awarded. Grants payable represents such awards that have not yet been paid to the respective scientists by December 31, 2015 and 2014.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and services are summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated between the programs and services benefited.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated events and transactions that occurred after December 31, 2015 for potential recognition or disclosure in the consolidated financial statements. These events and transactions were evaluated through May 3, 2016, the date that the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: TAX STATUS

The NFCR has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), except on unrelated business income, if any. It qualifies as a public charity under Section 509(a)(1). FIDR and CCDx have been recognized by the IRS as exempt from federal income tax under Section 501(c)(3), except for unrelated business income, if any. They are supporting organizations to the NFCR under Section 509(a)(3). NFCR Western Chapter, a California nonprofit corporation, and NFCR Mid-Atlantic Chapter, a District of Columbia nonprofit corporation, were added in 2011 by the NFCR to its roster of subordinate organizations covered under the group exemption ruling, dated April 26, 2010, the Internal Revenue Service issued to the NFCR. Both chapters are exempt from federal income tax as organizations described under section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate income tax positions taken and accrue an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken and concluded that as of December 31, 2015 there are no uncertain positions taken or expected to be taken that would require accrual of a liability in the consolidated financial statements. The NFCR and affiliates are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

NOTE 4: RESTRICTED NET ASSETS

As of December 31, 2015 and 2014, all temporarily restricted net assets are restricted by donors to specific types of cancer research or they are subject to donor time restrictions, as follows:

	<u>2015</u>	<u>2014</u>
Net assets subject to time restrictions imposed by charitable trusts	\$ 499,890	\$ 474,595
Net assets subject to restrictions on use	<u>918,399</u>	<u>995,345</u>
	<u>\$ 1,418,289</u>	<u>\$ 1,469,940</u>

Temporarily restricted net assets released from restriction for the years ended December 31, 2015 and 2014, represent expenditures for specific types of cancer research that have accomplished the imposed restrictions.

Permanently restricted net assets consist of perpetual trusts for which the NFCR is named as a beneficiary.

NOTE 5: INVESTMENTS

At December 31, 2015 and 2014, the NFCR's consolidated investments consisted of the following:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 318,151	\$ 365,828
Corporate bonds	1,244,562	1,100,837
U.S. government bonds	864,169	946,123
Common and preferred stocks	2,959,950	2,859,496
Mutual funds	1,140,982	1,763,980
Exchange traded funds	<u>1,019,402</u>	<u>697,191</u>
	<u>\$ 7,547,216</u>	<u>\$ 7,733,455</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS - continued

The NFCR's consolidated investment income (loss) for the years ended December 31, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Investment and dividend income	\$ 363,048	\$ 318,320
Realized gains (losses)	(71,088)	209,841
Unrealized losses	<u>(295,810)</u>	<u>(248,895)</u>
	<u>\$ (3,850)</u>	<u>\$ 279,266</u>

NOTE 6: FAIR VALUE

Generally accepted accounting principles define fair value 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, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

Level 1

Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

A description of the valuation methodology is included in Note 2 and the valuation methodology was not changed during the year ended December 31, 2015.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

For the year ended December 31, 2015, there were no transfers in or out of levels 1, 2 or 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: FAIR VALUE - continued

As of December 31, 2015 and 2014, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2015			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 318,151	\$ -	\$ -	\$ 318,151
Corporate bonds	-	1,244,562	-	1,244,562
U.S. government bonds	864,169	-	-	864,169
Common and preferred stocks	2,959,950	-	-	2,959,950
Mutual funds	1,140,982	-	-	1,140,982
Exchange traded funds	1,019,402	-	-	1,019,402
Amounts held in trust by others	-	2,376,158	-	2,376,158
	\$ 6,302,654	\$ 3,620,720	\$ -	\$ 9,923,374

	2014			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 365,828	\$ -	\$ -	\$ 365,828
Corporate bonds	-	1,100,837	-	1,100,837
U.S. government bonds	946,123	-	-	946,123
Common and preferred stocks	2,859,496	-	-	2,859,496
Mutual funds	1,763,980	-	-	1,763,980
Exchange traded funds	697,191	-	-	697,191
Amounts held in trust by others	-	2,534,921	-	2,534,921
	\$ 6,632,618	\$ 3,635,758	\$ -	\$ 10,268,376

NOTE 7: FURNITURE AND EQUIPMENT

As of December 31, 2015 and 2014, the Foundation's furniture and equipment consists of the following:

	2015	2014
Office furniture and equipment	\$ 139,608	\$ 136,024
Computer equipment and software	83,671	72,003
Leasehold improvements	2,464	2,464
	225,743	210,491
Accumulated depreciation and amortization	(171,622)	(154,088)
	\$ 54,121	\$ 56,403

NOTE 8: AMOUNTS HELD IN TRUST BY OTHERS

The Foundation is the beneficiary of several split-interest agreements, including irrevocable perpetual trusts and charitable trusts, as described in Internal Revenue Code Section 664. The Foundation does not exercise control over the trusts' assets, which are held and administered by third-party trustees.

Under the perpetual trusts, the donors established and funded trusts whereby the Foundation is the beneficiary of the income on the trust assets as earned in perpetuity with no restrictions on use. Under the charitable trusts, the donors established and funded trusts whereby the Foundation receives income distributions from the trust and will receive a percentage of trust assets at the termination of the trust.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: AMOUNTS HELD IN TRUST BY OTHERS - continued

Fair value of perpetual trusts at December 31, 2015 and 2014, is \$1,939,182 and \$2,090,327, respectively. The increase (decrease) in the beneficial interest in perpetual trusts for the years ended December 31, 2015 and 2014 is \$(151,148) and \$115,926, respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

The Foundation's interests in charitable trusts at December 31, 2015 and 2014 is \$436,976 and \$444,594, respectively. The increase (decrease) in the beneficial interest in charitable trusts for the years ended December 31, 2015 and 2014 is \$(7,620) and \$26,306, respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

NOTE 9: DESIGNATED FOR RESEARCH CONTRACTS

At December 31, 2015 and 2014, the board of directors has designated unrestricted net assets in order to fulfill contract commitments to universities and institutions for research amounting to \$4,420,930 and \$4,394,430, respectively.

NOTE 10: LEASE COMMITMENTS

The NFCR leases office space under a noncancelable operating lease in effect through February 28, 2018. Base monthly rent is \$16,224, increases each year by 3% and includes two months of free rent each lease year. As of December 31, 2015, the minimum rental commitments for the lease for the years ending December 31, are as follows:

2016	\$	190,264
2017		195,974
2018		<u>39,265</u>
	\$	<u>425,503</u>

Occupancy expense for the years ended December 31, 2015 and 2014, was \$195,204 and \$183,426, respectively.

NOTE 11: RETIREMENT PLAN

The NFCR offers a 401(k) Savings Plan for the benefit of its employees. Employees are eligible to participate in the plan after 3 months of employment. Under the plan, the NFCR makes a 3% annual safe harbor contribution and an annual discretionary contribution to eligible employees. The discretionary contribution percentage for officers is determined by the board of directors, for senior managers is 12% and for all other employees is 9% of their respective base salaries. The safe harbor and discretionary contribution that the NFCR makes to the plan is unrelated to whether an employee makes an elective deferral in a particular year. For the years ended December 31, 2015 and 2014, retirement expense was \$238,700 and \$207,665, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: ALLOCATION OF JOINT COSTS

For the years ended December 31, 2015 and 2014, the Foundation incurred joint costs of \$6,784,492 and \$6,951,916, respectively, for informational materials and activities that included fundraising appeals, which were allocated at follows:

	<u>2015</u>	<u>2014</u>
Public education and information	\$ 4,887,483	\$ 5,003,075
Fundraising	<u>1,897,009</u>	<u>1,948,841</u>
	<u>\$ 6,784,492</u>	<u>\$ 6,951,916</u>

NOTE 13: CONCENTRATIONS

Financial instruments that subject the Foundation to concentrations of credit risk include cash which is invested with financial institutions. While the Foundation attempts to limit their financial exposure, their deposit balances with financial institutions may, at times, exceed the limits insured by agencies of the U.S. government. The Foundation has not experienced and management does not anticipate experiencing any credit losses on such deposits.

NOTE 14: NON-CASH RESEARCH SUPPORT

Research contracts with universities and other institutions typically call for the reimbursement of most out-of-pocket research costs; however, many institutions also agree to donate certain chemicals, materials, equipment, and supercomputer time. These donations, provided by the institutions, become a normal part of the research program and would ordinarily be costs incurred by the NFCR. These donated amounts are recognized as non-cash research support revenue and research program expenses on the consolidated statements of activities.

Control over these donated goods is provided through on-location project directors, who are responsible to the NFCR for the research projects at the institutions.

The effect of these donations is to allow the NFCR to expand the research that would otherwise be performed under the contract. The institutions provide the NFCR with a measurable basis in order to quantify the estimated fair value of the donated property.

For the years ended December 31, 2015 and 2014, noncash support consisted of the following:

	<u>2015</u>	<u>2014</u>
Contract rights for use of supercomputer time	\$ 30,000	\$ 28,650
Chemicals, materials and equipment	<u>560,028</u>	<u>1,482,266</u>
	<u>\$ 590,028</u>	<u>\$ 1,510,916</u>

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION

Board of Directors
National Foundation for Cancer Research, Inc.

We have audited the consolidated financial statements of National Foundation for Cancer Research, Inc. as of and for the year ended December 31, 2015, and our report thereon dated May 3, 2016 which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



A Professional Corporation
Bethesda, MD
May 3, 2016

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

<u>ASSETS</u>	<u>NFCR</u>	<u>Fund for Inherited Disease Research</u>	<u>Consortium for Clinical Diagnostics</u>	<u>NFCR Western Chapter</u>	<u>NFCR Mid- Atlantic Chapter</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS							
Cash	\$ 2,506,833	\$ -	\$ 258,348	\$ 26,962	\$ 28,408	\$ -	\$ 2,820,551
Accounts receivable	289,287	-	299,458	-	-	(302,257)	286,488
Prepaid expenses and other assets	389,623	-	-	-	-	-	389,623
Furniture and equipment, net of accumulated depreciation and amortization	54,121	-	-	-	-	-	54,121
Investments	7,547,216	-	-	-	-	-	7,547,216
Amounts held in trust by others	2,376,158	-	-	-	-	-	2,376,158
TOTAL ASSETS	<u>\$ 13,163,238</u>	<u>\$ -</u>	<u>\$ 557,806</u>	<u>\$ 26,962</u>	<u>\$ 28,408</u>	<u>\$ (302,257)</u>	<u>\$ 13,474,157</u>
<u>LIABILITIES AND NET ASSETS</u>							
LIABILITIES							
Accounts payable	\$ 1,148,328	\$ -	\$ -	\$ 1,156	\$ 1,643	\$ (302,257)	\$ 848,870
Research contracts and grants payable	967,837	-	-	-	-	-	967,837
Accrued compensation and benefits	120,775	-	-	-	-	-	120,775
TOTAL LIABILITIES	<u>2,236,940</u>	<u>-</u>	<u>-</u>	<u>1,156</u>	<u>1,643</u>	<u>(302,257)</u>	<u>1,937,482</u>
NET ASSETS							
Unrestricted							
Designated for research contracts	4,250,214	-	170,716	-	-	-	4,420,930
Undesignated	3,298,616	-	387,090	25,806	26,765	-	3,738,277
	7,548,830	-	557,806	25,806	26,765	-	8,159,207
Temporarily restricted	1,418,289	-	-	-	-	-	1,418,289
Permanently restricted	1,959,179	-	-	-	-	-	1,959,179
TOTAL NET ASSETS	<u>10,926,298</u>	<u>-</u>	<u>557,806</u>	<u>25,806</u>	<u>26,765</u>	<u>-</u>	<u>11,536,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,163,238</u>	<u>\$ -</u>	<u>\$ 557,806</u>	<u>\$ 26,962</u>	<u>\$ 28,408</u>	<u>\$ (302,257)</u>	<u>\$ 13,474,157</u>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	NFCR	Fund for Inherited Disease Research	Consortium for Clinical Diagnostics	NFCR Western Chapter	NFCR Mid- Atlantic Chapter	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS							
Revenue and support							
Public support	\$ 10,602,421	\$ -	\$ -	\$ 2,953	\$ 1,997	\$ (595,000)	\$ 10,012,371
Bequests	1,721,327	-	-	-	-	-	1,721,327
Mailing list rental	358,032	-	-	-	-	-	358,032
Investment income (loss)	(3,850)	-	-	-	-	-	(3,850)
Change in value of split-interest agreements	(57,754)	-	-	-	-	-	(57,754)
Other revenue	23,327	-	-	-	-	-	23,327
Non-cash research support	590,028	-	-	-	-	-	590,028
Net assets released from restrictions	750,374	-	-	-	-	-	750,374
TOTAL REVENUE AND SUPPORT	13,983,905	-	-	2,953	1,997	(595,000)	13,393,855
Expenses							
Program services							
Research	3,935,593	-	14,684	380,000	215,000	(595,000)	3,950,277
Public education and information	5,729,242	-	-	-	-	-	5,729,242
	<u>9,664,835</u>	<u>-</u>	<u>14,684</u>	<u>380,000</u>	<u>215,000</u>	<u>(595,000)</u>	<u>9,679,519</u>
Supporting services							
Fundraising	2,654,129	-	-	-	-	-	2,654,129
Management and general	836,311	-	-	1,187	1,675	-	839,173
	<u>3,490,440</u>	<u>-</u>	<u>-</u>	<u>1,187</u>	<u>1,675</u>	<u>-</u>	<u>3,493,302</u>
TOTAL EXPENSES	13,155,275	-	14,684	381,187	216,675	(595,000)	13,172,821
CHANGE IN UNRESTRICTED NET ASSETS	828,630	-	(14,684)	(378,234)	(214,678)	-	221,034
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Revenue and support							
Public support	706,343	-	-	-	-	-	706,343
Change in value of split-interest agreements	(7,620)	-	-	-	-	-	(7,620)
Net assets released from restrictions	(750,374)	-	-	-	-	-	(750,374)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(51,651)	-	-	-	-	-	(51,651)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS							
Change in value of split-interest agreements	(151,148)	-	-	-	-	-	(151,148)
	<u>(151,148)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,148)</u>
CHANGE IN NET ASSETS	625,831	-	(14,684)	(378,234)	(214,678)	-	18,235
NET ASSETS AT BEGINNING OF YEAR	10,292,103	8,364	572,490	404,040	241,443	-	11,518,440
EFFECT OF DISSOLUTION OF FIDR	8,364	(8,364)	-	-	-	-	-
NET ASSETS AT END OF YEAR	\$ 10,926,298	\$ -	\$ 557,806	\$ 25,806	\$ 26,765	\$ -	\$ 11,536,675