

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

With Report of Independent Auditors

National Foundation for Cancer Research, Inc.
For the Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS	
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 the Consolidated Financial Statements	7 - 15
Supplementary Information	
Report of Independent Auditors on Supplementary Information	16
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities	18

REPORT OF INDEPENDENT AUDITORS

Board of Directors
National Foundation for Cancer Research, Inc.
Rockville, MD

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 statement of financial position as of December 31, 2017 and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

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

Other Matter – December 31, 2016 Financial Statements

The consolidated financial statements of the National Foundation for Cancer Research, Inc. for the year ended December 31, 2016 were audited by Bond Beebe, PC, who joined WithumSmith+Brown, PC effective September 1, 2017, and they expressed an unmodified opinion on the statements in their report dated May 8, 2017. No auditing procedures have been performed since that date with respect to the December 31, 2016 financial statements.

WithumSmith+Brown, PC

Bethesda, MD
May 10, 2018

National Foundation for Cancer Research, Inc.
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 2,763,678	\$ 4,315,431
Accounts receivable	122,419	133,972
Prepaid expenses and other assets	428,444	367,657
Fixed assets, net of accumulated depreciation and amortization	123,318	47,474
Investments	9,104,784	7,953,489
Amounts held in trusts by others	2,611,748	2,398,467
TOTAL ASSETS	<u>\$ 15,154,391</u>	<u>\$ 15,216,490</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 822,897	\$ 976,226
Research contracts and grants payable	835,665	1,061,614
Accrued compensation and benefits	126,932	137,451
TOTAL LIABILITIES	<u>1,785,494</u>	<u>2,175,291</u>
NET ASSETS		
Unrestricted		
Designated for research contracts	5,271,071	4,812,470
Undesignated	4,499,078	4,706,167
	<u>9,770,149</u>	<u>9,518,637</u>
Temporarily restricted	1,433,990	1,539,542
Permanently restricted	2,164,758	1,983,020
TOTAL NET ASSETS	<u>13,368,897</u>	<u>13,041,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,154,391</u>	<u>\$ 15,216,490</u>

National Foundation for Cancer Research, Inc.
Consolidated Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Public support	\$ 9,526,330	\$ 289,266	\$ -	\$ 9,815,596	\$ 9,141,065	\$ 887,809	\$ -	\$ 10,028,874
Bequests	2,016,955	-	-	2,016,955	3,294,286	-	-	3,294,286
Mailing list rental	296,320	-	-	296,320	357,786	-	-	357,786
Net investment income	1,309,451	-	-	1,309,451	495,730	-	-	495,730
Change in value of split-interest agreements	45,146	31,544	181,738	258,428	(23,882)	(1,532)	23,841	(1,573)
Other revenue	20,886	-	-	20,886	6,095	-	-	6,095
Non-cash research support	227,678	-	-	227,678	644,515	-	-	644,515
Net assets released from restrictions	426,362	(426,362)	-	-	765,024	(765,024)	-	-
TOTAL REVENUE AND SUPPORT	13,869,128	(105,552)	181,738	13,945,314	14,680,619	121,253	23,841	14,825,713
EXPENSES								
Program services								
Research	4,537,599	-	-	4,537,599	4,749,049	-	-	4,749,049
Public education and information	5,308,606	-	-	5,308,606	5,214,010	-	-	5,214,010
	9,846,205	-	-	9,846,205	9,963,059	-	-	9,963,059
Supporting services								
Fundraising	2,686,041	-	-	2,686,041	2,385,338	-	-	2,385,338
Management and general	1,085,370	-	-	1,085,370	972,792	-	-	972,792
	3,771,411	-	-	3,771,411	3,358,130	-	-	3,358,130
TOTAL EXPENSES	13,617,616	-	-	13,617,616	13,321,189	-	-	13,321,189
CHANGE IN NET ASSETS	251,512	(105,552)	181,738	327,698	1,359,430	121,253	23,841	1,504,524
NET ASSETS AT BEGINNING OF YEAR	9,518,637	1,539,542	1,983,020	13,041,199	8,159,207	1,418,289	1,959,179	11,536,675
NET ASSETS AT END OF YEAR	\$ 9,770,149	\$ 1,433,990	\$ 2,164,758	\$ 13,368,897	\$ 9,518,637	\$ 1,539,542	\$ 1,983,020	\$ 13,041,199

See Notes to Consolidated Financial Statements.

National Foundation for Cancer Research, Inc.
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

	2017					2016				
	Cancer Research	Public Education and Information	Fundraising	Management and General	Total	Cancer Research	Public Education and Information	Fundraising	Management and General	Total
EXPENSES										
Accounting and auditing	\$ -	\$ -	\$ -	\$ 41,110	\$ 41,110	\$ -	\$ -	\$ -	\$ 41,680	\$ 41,680
Bank and payroll service fees	-	-	-	107,464	107,464	-	-	-	127,483	127,483
Creative fees	-	19,858	12,885	-	32,743	-	8,953	4,686	-	13,639
Data services	10,560	450,376	207,967	3,675	672,578	3,100	466,105	186,149	1,451	656,805
Depreciation and amortization	14,173	7,584	3,015	4,743	29,515	7,465	3,625	1,737	2,565	15,392
Dues and subscriptions	8,866	3,070	2,300	22,215	36,451	7,429	2,765	2,750	15,074	28,018
Insurance	17,426	9,349	3,717	5,869	36,361	17,774	8,605	4,129	6,110	36,618
Investment fees	-	-	-	64,774	64,774	-	-	-	59,747	59,747
Legal fees and expenses	40,951	-	-	99,440	140,391	26,676	-	-	69,596	96,272
Licenses and permits	-	-	-	23,613	23,613	-	-	-	20,079	20,079
Listing processing fees	-	41,855	19,719	-	61,574	-	45,554	18,572	-	64,126
List rental	-	334,877	113,364	-	448,241	-	243,025	68,813	-	311,838
Lockbox and data entry	-	90,662	42,223	-	132,885	-	98,853	40,427	-	139,280
Major gifts	-	-	13,304	-	13,304	-	-	6,295	-	6,295
Mailshop fees	-	280,581	462,634	-	743,215	-	300,540	431,932	-	732,472
Miscellaneous	-	-	-	67,881	67,881	-	-	-	14,345	14,345
Non-cash contributions	227,678	-	-	-	227,678	644,515	-	-	-	644,515
Occupancy	95,794	51,714	20,349	31,835	199,692	95,530	45,305	21,869	32,455	195,159
Office supplies and expenses	14,403	7,852	3,052	5,324	30,631	10,146	4,987	2,366	3,661	21,160
Other professional fees	324,288	168,415	53,422	81,245	627,370	313,691	263,594	71,669	118,517	767,471
Personnel	1,238,613	664,089	264,330	430,707	2,597,739	1,135,297	550,655	264,008	404,561	2,354,521
Planned giving	-	-	-	15,496	15,496	-	-	-	11,233	11,233
Postage	49	1,789,050	854,214	2,418	2,645,731	49	1,763,553	727,787	2,915	2,494,304
Printing and publication	-	1,317,639	585,847	15,637	1,919,123	-	1,340,796	517,013	14,228	1,872,037
Public education and website	-	65,632	14,379	2,936	82,947	5,165	62,539	13,019	1,803	82,526
Research contracts and grants	2,392,389	-	-	-	2,392,389	2,418,399	-	-	-	2,418,399
Telephone services	11,347	6,003	2,404	3,761	23,515	8,865	4,284	2,059	3,055	18,263
Travel and business meetings	141,062	-	6,916	55,227	203,205	54,948	272	58	22,234	77,512
TOTAL EXPENSES	\$ 4,537,599	\$ 5,308,606	\$ 2,686,041	\$ 1,085,370	\$ 13,617,616	\$ 4,749,049	\$ 5,214,010	\$ 2,385,338	\$ 972,792	\$ 13,321,189

See Notes to Consolidated Financial Statements.

National Foundation for Cancer Research, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 327,698	\$ 1,504,524
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net gain on investments	(1,024,113)	(212,417)
Donated investment securities	(28,511)	(100,090)
Depreciation and amortization	29,515	15,392
(Increase) decrease in		
Accounts receivable	11,553	152,516
Prepaid expenses and other assets	(60,787)	21,966
Amounts held in trust by others	(213,281)	(22,309)
Increase (decrease) in		
Accounts payable	(153,329)	127,356
Research contracts and grants payable	(225,949)	93,777
Accrued compensation and benefits	(10,519)	16,676
	<u>\$ (1,347,723)</u>	<u>\$ 1,597,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(105,357)	(8,745)
Purchases of investments	(196,995)	(5,425,659)
Sales of investments	98,322	5,331,893
	<u>(204,030)</u>	<u>(102,511)</u>
INCREASE (DECREASE) IN CASH	(1,551,753)	1,494,880
CASH AT BEGINNING OF YEAR	<u>4,315,431</u>	<u>2,820,551</u>
CASH AT END OF YEAR	<u>\$ 2,763,678</u>	<u>\$ 4,315,431</u>
SUPPLEMENTAL INFORMATION		
Cash paid for income taxes	<u>\$ 778</u>	<u>\$ 3,787</u>

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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 five tax exempt entities: the Cancer Research Laboratories Foundation, Inc. (established in 1996), the Cancer Research Coalition (established in 1997), the Darwin Foundation (formerly, 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, 2017 and 2016. CCDx was incorporated in March 2003, as tax-exempt supporting organizations to the NFCR. The Western and Mid-Atlantic chapters were created in 2011 to assist with fundraising.

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. On July 25, 2016, the name of CCDx was legally changed to Darwin Foundation.

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 NFCR Western Chapter, NFCR Mid-Atlantic Chapter, and the Darwin Foundation. 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. The NFCR pays expenses on behalf of AFCR, which are reimbursed by AFCR, these expenses totaled \$7,499.64 and \$34,146 for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, there was no balance due to or from AFCR. As of December 31, 2016, \$7,331 was due from AFCR and is included in accounts receivable on the consolidated statements of financial position.

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 amounts in accounts receivable at December 31, 2017 and 2016 are fully collectible.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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, but relate to future periods.

Fixed Assets

Fixed assets 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 and Investment Income

Investments are presented at fair value on the consolidated statements of financial position. The gains and losses (unrealized and realized) in the fair value of investments are comprised of the net changes in the fair values of investments bought, sold and held during the year and are recognized in the year in which they occur. 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.

Amounts Held in Trust by Others

Amounts held in trust by others include perpetual trusts and interests in charitable remainder 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 remainder 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.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016 under these contracts, but not yet paid to the institutions by December 31, 2017 and 2016. 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, 2017 and 2016.

Functional Allocation of Expenses

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

Subsequent Events

In preparing these financial statements, management of the National Foundation for Cancer Research, Inc. has evaluated events and transactions that occurred after December 31, 2017 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through May 10, 2018, the date that the financial statements were available to be issued, and no items have come to the attention of management that would require a disclosure.

3. TAX STATUS

The NFCR has been recognized by the Internal Revenue Service (IRS) as exempt from income tax under Internal Revenue Code Section 501(c)(3) and related state statutes, except for income tax on unrelated business income, if any. It qualifies as a public charity under Section 509(a)(1). The Darwin Foundation has been recognized by the IRS as exempt from income tax under Section 501(c)(3) and related state statutes, except for income tax on unrelated business income, if any. It is a supporting organization 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, issued by the Internal Revenue Service to the NFCR. Both chapters are exempt from federal and state income tax, except for income tax on unrelated business income, as organizations described under section 501(c)(3) of the Internal Revenue Code and related state statutes.

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, 2017 there are no uncertain positions taken or expected to be taken that would require recognition 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. In addition, there have been no tax related interest or penalties for periods presented in these financial statements. Should such penalties and interest be incurred, the Foundation's policy would be to recognize them as management and general expenses.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

4. RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Net assets subject to time restrictions imposed by charitable trusts	\$ 529,902	\$ 498,358
Net assets subject to restrictions on use	904,088	1,041,184
	<u>\$ 1,433,990</u>	<u>\$ 1,539,542</u>

Temporarily restricted net assets released from restriction for the years ended December 31, 2017 and 2016, represent expenditures for specific types of cancer research that have accomplished the imposed restrictions using temporarily restricted net assets that existed at the beginning of the year.

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

5. INVESTMENTS

At December 31, 2017 and 2016, the NFCR's consolidated investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 438,402	\$ 305,342
Corporate bonds	1,181,657	1,257,960
U.S. government bonds	991,093	889,842
Common and preferred stocks	4,309,938	3,614,285
Mutual funds	1,149,915	1,099,709
Exchange traded funds	1,033,779	786,351
	<u>\$ 9,104,784</u>	<u>\$ 7,953,489</u>

The NFCR's consolidated net investment income for the years ended December 31, 2017 and 2016, consisted of the following:

Interest and dividend income	\$ 285,338	\$ 283,313
Realized gains	455,467	81,698
Unrealized gains	568,646	130,719
	<u>\$ 1,309,451</u>	<u>\$ 495,730</u>

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

6. FAIR VALUE MEASUREMENTS

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.

The asset'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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Valuation methodology was not changed during the years ended December 31, 2017 and 2016.

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 years ended December 31, 2017 and 2016, there were no transfers in or out of levels 1, 2 or 3.

The following is a description of the valuation methodologies used for assets measured at fair value:

- 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.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

As of December 31, 2017 and 2016, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2017			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 438,402	\$ -	\$ 438,402
Corporate bonds	-	1,181,657	-	1,181,657
U.S. government bonds	991,093	-	-	991,093
Common and preferred stocks	4,309,938	-	-	4,309,938
Mutual funds	1,149,915	-	-	1,149,915
Exchange traded funds	1,033,779	-	-	1,033,779
Amounts held in trust by others	-	2,611,748	-	2,611,748
	<u>\$ 7,484,725</u>	<u>\$ 4,231,807</u>	<u>\$ -</u>	<u>\$ 11,716,532</u>

	2016			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 305,342	\$ -	\$ 305,342
Corporate bonds	-	1,257,960	-	1,257,960
U.S. government bonds	889,842	-	-	889,842
Common and preferred stocks	3,614,285	-	-	3,614,285
Mutual funds	1,099,709	-	-	1,099,709
Exchange traded funds	786,351	-	-	786,351
Amounts held in trust by others	-	2,398,467	-	2,398,467
	<u>\$ 6,390,187</u>	<u>\$ 3,961,769</u>	<u>\$ -</u>	<u>\$ 10,351,956</u>

7. FIXED ASSETS

As of December 31, 2017 and 2016, the Foundation's fixed assets consist of the following:

	2017	2016
Office furniture and equipment	\$ 139,610	\$ 139,609
Computer equipment and software	190,454	92,415
Leasehold Improvements	9,782	2,464
	<u>339,846</u>	<u>234,488</u>
Accumulated depreciation and amortization	(216,528)	(187,014)
	<u>\$ 123,318</u>	<u>\$ 47,474</u>

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

8. AMOUNTS HELD IN TRUST BY OTHERS

The Foundation is the beneficiary of several split-interest agreements, including irrevocable perpetual trusts and charitable remainder 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.

The fair value of perpetual trusts at December 31, 2017 and 2016, is \$2,144,762 and \$1,963,023, respectively. The increase in the beneficial interest in perpetual trusts for the years ended December 31, 2017 and 2016 is \$181,739 and \$23,841, 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 remainder trusts at December 31, 2017 and 2016 is \$466,984 and \$435,444, respectively. The increase (decrease) in the beneficial interest in charitable remainder trusts for the years ended December 31, 2017 and 2016 is \$31,542 and \$(1,532), respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

9. DESIGNATED FOR RESEARCH CONTRACTS

At December 31, 2017 and 2016, the board of directors has designated unrestricted net assets in order to fulfill contract commitments to universities and institutions for research amounting to \$5,271,071 and \$4,812,470, respectively.

10. LEASE COMMITMENTS

The NFCR leased office and storage space under a noncancelable operating lease in effect through February 28, 2018. Under this lease, base monthly rent is \$16,224, increases each year by 3% and includes two months of free rent each lease year. Beginning March 1, 2018, the NFCR leased office space under a noncancelable operating lease that expires January 31, 2027. Under this lease, base monthly rent is \$17,232 and increases each year by 2.75%. As of December 31, 2017, the minimum rental commitments for the leases for the years ending December 31, are as follows:

2018	\$	142,656
2019		211,998
2020		217,810
2021		223,815
2022		229,957
Thereafter		<u>1,006,198</u>
	\$	<u><u>2,032,434</u></u>

Occupancy expense for the years ended December 31, 2017 and 2016, was \$199,692 and \$195,159, respectively.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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 for 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. Effective December 14, 2017, the discretionary contributions for all new hires was reduced to 5% 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, 2017 and 2016, retirement expense was \$256,772 and \$234,602, respectively.

12. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2017 and 2016, the Foundation incurred joint costs of \$6,528,202 and \$6,190,844, respectively, for informational materials and activities that included fundraising appeals, which were allocated at follows:

	<u>2017</u>	<u>2016</u>
Public education and information	\$ 4,496,015	\$ 4,447,598
Fundraising	2,032,187	1,743,246
	<u>\$ 6,528,202</u>	<u>\$ 6,190,844</u>

13. CONCENTRATIONS

Due to various risks (e.g., interest rate, market, credit) associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

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.

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.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016, noncash support consisted of the following:

	<u>2017</u>	<u>2016</u>
Contract rights for use of supercomputer time	\$ 20,000	\$ 32,500
Chemicals, materials, and equipment	<u>207,678</u>	<u>612,015</u>
	<u>\$ 227,678</u>	<u>\$ 644,515</u>

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

Board of Directors
National Foundation for Cancer Research, Inc.
Rockville, MD

We have audited the consolidated financial statements of National Foundation for Cancer Research, Inc. as of and for the year ended December 31, 2017, and our report thereon dated May 10, 2018 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.

WithumSmith+Brown, PC

Bethesda, MD
May 10, 2018

National Foundation for Cancer Research, Inc.
Consolidating Statement of Financial Position
December 31, 2017

<u>ASSETS</u>	<u>NFCR</u>	<u>Darwin Foundation</u>	<u>NFCR Western Chapter</u>	<u>NFCR Mid-Atlantic Chapter</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS						
Cash	\$ 2,566,486	\$ 141,812	\$ 26,972	\$ 28,408	\$ -	\$ 2,763,678
Accounts receivable	119,157	284,120	-	-	(280,858)	122,419
Prepaid expenses and other assets	424,444	4,000	-	-	-	428,444
Fixed assets, net of accumulated depreciation and amortization	123,318	-	-	-	-	123,318
Investments	9,104,784	-	-	-	-	9,104,784
Amounts held in trust by others	2,611,748	-	-	-	-	2,611,748
TOTAL ASSETS	\$ 14,949,937	\$ 429,932	\$ 26,972	\$ 28,408	\$ (280,858)	\$ 15,154,391
<u>LIABILITIES AND NET ASSETS</u>						
LIABILITIES						
Accounts payable	\$ 1,080,548	\$ 17,919	\$ 1,994	\$ 3,294	\$ (280,858)	\$ 822,897
Research contracts and grants payable	835,665	-	-	-	-	835,665
Accrued compensation and benefits	126,932	-	-	-	-	126,932
TOTAL LIABILITIES	2,043,145	17,919	1,994	3,294	(280,858)	1,785,494
NET ASSETS						
Unrestricted						
Designated for research contracts	5,100,355	170,716	-	-	-	5,271,071
Undesignated	4,207,689	241,297	24,978	25,114	-	4,499,078
	9,308,044	412,013	24,978	25,114	-	9,770,149
Temporarily restricted	1,433,990	-	-	-	-	1,433,990
Permanently restricted	2,164,758	-	-	-	-	2,164,758
TOTAL NET ASSETS	12,906,792	412,013	24,978	25,114	-	13,368,897
TOTAL LIABILITIES AND NET ASSETS	\$ 14,949,937	\$ 429,932	\$ 26,972	\$ 28,408	\$ (280,858)	\$ 15,154,391

See Report of Independent Auditors on Supplementary Information.

National Foundation for Cancer Research, Inc.
Consolidating Statement of Activities
For the Year ended December 31, 2017

	NFCR	Darwin Foundation	NFCR Western Chapter	NFCR Mid-Atlantic Chapter	Elimination	Total
CHANGES IN UNRESTRICTED NET ASSETS						
Revenue and support						
Public support	\$ 9,386,735	\$ 139,590	\$ 5	\$ -	\$ -	\$ 9,526,330
Bequests	2,016,955	-	-	-	-	2,016,955
Mailing list rental	296,320	-	-	-	-	296,320
Net investment income	1,309,451	-	-	-	-	1,309,451
Changes in value of split-interest agreements	45,146	-	-	-	-	45,146
Other revenue	20,886	-	-	-	-	20,886
Non-cash research support	227,678	-	-	-	-	227,678
Net assets released from restrictions	426,362	-	-	-	-	426,362
Total revenue and support	<u>13,729,533</u>	<u>139,590</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>13,869,128</u>
Expenses						
Program services						
Research	4,373,838	163,761	-	-	-	4,537,599
Public education and information	5,308,606	-	-	-	-	5,308,606
	<u>9,682,444</u>	<u>163,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,846,205</u>
Supporting services						
Fundraising	2,686,041	-	-	-	-	2,686,041
Management and general	1,083,915	-	437	1,018	-	1,085,370
	<u>3,769,956</u>	<u>-</u>	<u>437</u>	<u>1,018</u>	<u>-</u>	<u>3,771,411</u>
Total expenses	<u>13,452,400</u>	<u>163,761</u>	<u>437</u>	<u>1,018</u>	<u>-</u>	<u>13,617,616</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>277,133</u>	<u>(24,171)</u>	<u>(432)</u>	<u>(1,018)</u>	<u>-</u>	<u>251,512</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
Revenue and support						
Public support	289,266	-	-	-	-	289,266
Change in value of split-interest agreements	31,544	-	-	-	-	31,544
Net assets released from restrictions	(426,362)	-	-	-	-	(426,362)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(105,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,552)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS						
Change in value of split-interest agreements	181,738	-	-	-	-	181,738
CHANGE IN NET ASSETS	<u>353,319</u>	<u>(24,171)</u>	<u>(432)</u>	<u>(1,018)</u>	<u>-</u>	<u>327,698</u>
NET ASSETS AT BEGINNING OF YEAR	<u>12,553,473</u>	<u>436,184</u>	<u>25,410</u>	<u>26,132</u>	<u>-</u>	<u>13,041,199</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,906,792</u>	<u>\$ 412,013</u>	<u>\$ 24,978</u>	<u>\$ 25,114</u>	<u>\$ -</u>	<u>\$ 13,368,897</u>

See Report of Independent Auditors on Supplementary Information.