

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC. AND AFFILIATES

Consolidated Financial Statements

December 31, 2018 and 2017

With Independent Auditors' Report

National Foundation for Cancer Research, Inc.
December 31, 2018 and 2017

TABLE OF CONTENTS

Independent Auditors' Report	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 - 17
Supplemental Information	
Independent Auditors' Report on Supplemental Information	18
Consolidating Statement of Financial Position	19
Consolidating Statement of Activities	20

INDEPENDENT AUDITORS' REPORT

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 statements of financial position as of December 31, 2018 and 2017, 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 auditors' 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, 2018 and 2017, 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.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, during the year ended December 31, 2018, the National Foundation for Cancer Research, Inc. and affiliates elected early adoption of new accounting guidance in accordance with Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-profit entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* and Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

Bethesda, MD
May 13, 2019

National Foundation for Cancer Research, Inc.
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Assets		
Cash	\$ 1,239,233	\$ 2,763,678
Accounts receivable	110,797	122,419
Prepaid expenses and other assets	583,645	428,444
Fixed assets, net of accumulated depreciation and amortization	137,817	123,318
Investments	7,371,171	9,104,784
Amounts held in trusts by others	2,339,933	2,611,748
Right of use asset	1,586,357	-
Total assets	<u>\$ 13,368,953</u>	<u>\$ 15,154,391</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 597,308	\$ 822,897
Research contracts and grants payable	393,865	835,665
Accrued compensation and benefits	164,350	126,932
Lease liability	1,685,974	-
Total liabilities	<u>2,841,497</u>	<u>1,785,494</u>
Net assets		
Without donor restrictions	7,371,962	9,770,149
With donor restrictions	3,155,494	3,598,748
Total net assets	<u>10,527,456</u>	<u>13,368,897</u>
Total liabilities and net assets	<u>\$ 13,368,953</u>	<u>\$ 15,154,391</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Public support	\$ 9,676,822	\$ 1,057,861	\$ 10,734,683	\$ 9,526,330	\$ 289,266	\$ 9,815,596
Bequests	1,918,625	-	1,918,625	2,016,955	-	2,016,955
Mailing list rental	267,737	-	267,737	296,320	-	296,320
Net investment return	(226,835)	-	(226,835)	1,236,940	-	1,236,940
Change in value of split-interest agreements	(9,812)	(271,815)	(281,627)	45,146	213,282	258,428
Other revenue	14,936	-	14,936	20,886	-	20,886
Non-cash research support	167,146	-	167,146	227,678	-	227,678
Net assets released from restrictions	1,229,300	(1,229,300)	-	426,362	(426,362)	-
Total revenue and support	13,037,919	(443,254)	12,594,665	13,796,617	76,186	13,872,803
Expenses						
Program services						
Research	5,984,425	-	5,984,425	4,537,599	-	4,537,599
Public education and information	5,563,308	-	5,563,308	5,308,606	-	5,308,606
	11,547,733	-	11,547,733	9,846,205	-	9,846,205
Supporting services						
Fundraising	2,708,059	-	2,708,059	2,686,041	-	2,686,041
Management and general	1,180,314	-	1,180,314	1,012,859	-	1,012,859
	3,888,373	-	3,888,373	3,698,900	-	3,698,900
Total expenses	15,436,106	-	15,436,106	13,545,105	-	13,545,105
Change in net assets	(2,398,187)	(443,254)	(2,841,441)	251,512	76,186	327,698
Net assets						
Beginning of the year	9,770,149	3,598,748	13,368,897	9,518,637	3,522,562	13,041,199
End of the year	\$ 7,371,962	\$ 3,155,494	\$ 10,527,456	\$ 9,770,149	\$ 3,598,748	\$ 13,368,897

The Notes to the Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc.
Consolidated Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	2018					2017				
	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	\$ -	\$ -	\$ -	\$ 42,520	\$ 42,520	\$ -	\$ -	\$ -	\$ 41,110	\$ 41,110
Bank and payroll service fees	-	-	-	116,137	116,137	-	-	-	107,464	107,464
Creative fees	-	10,178	8,605	-	18,783	-	19,858	12,885	-	32,743
Data services	4,747	448,062	207,699	5,589	666,097	10,560	450,376	207,967	3,675	672,578
Depreciation and amortization	16,756	9,905	3,527	5,753	35,941	14,173	7,584	3,015	4,743	29,515
Dues and subscriptions	6,513	-	73	24,126	30,712	8,866	3,070	2,300	22,215	36,451
Federal campaign	-	-	55	-	55	-	-	-	-	-
Insurance	17,991	10,666	3,809	6,183	38,649	17,426	9,349	3,717	5,869	36,361
Legal fees and expenses	11,111	-	-	122,893	134,004	40,951	-	-	99,440	140,391
Licenses and permits	-	-	-	25,930	25,930	-	-	-	23,613	23,613
Listing processing fees	-	34,519	16,527	-	51,046	-	41,855	19,719	-	61,574
List rental	-	373,562	132,390	-	505,952	-	334,877	113,364	-	448,241
Lockbox and data entry	-	82,068	39,921	-	121,989	-	90,662	42,223	-	132,885
Major gifts	-	-	19,024	807	19,831	-	-	13,304	-	13,304
Mail shop fees	-	259,004	404,004	-	663,008	-	280,581	462,634	-	743,215
Marketing outreach	-	-	-	128,720	128,720	-	-	-	-	-
Miscellaneous	-	-	-	8,463	8,463	-	-	-	60,145	60,145
Non-cash contributions	167,146	-	-	-	167,146	227,678	-	-	-	227,678
Occupancy	114,539	67,473	24,039	37,618	243,669	95,794	51,714	20,349	31,835	199,692
Office supplies and expenses	25,084	14,581	5,302	8,698	53,665	14,403	7,852	3,052	5,324	30,631
Other professional fees	248,216	107,580	61,919	113,032	530,747	324,288	168,415	53,422	81,245	627,370
Personnel	1,323,683	784,838	280,240	485,723	2,874,484	1,238,613	664,089	264,330	430,707	2,597,739
Planned giving	-	-	-	4,571	4,571	-	-	-	15,496	15,496
Postage	76	1,779,449	832,426	2,198	2,614,149	49	1,789,050	854,214	2,418	2,645,731
Printing and publication	-	1,511,012	649,477	2,633	2,163,122	-	1,317,639	585,847	15,637	1,919,123
Public education and website	-	58,962	14,890	4,014	77,866	-	65,632	14,379	2,936	82,947
Research contracts and grants	4,010,327	-	-	-	4,010,327	2,392,389	-	-	-	2,392,389
Telephone services	18,856	11,283	4,132	6,317	40,588	11,347	6,003	2,404	3,761	23,515
Travel and business meetings	19,380	166	-	28,389	47,935	141,062	-	6,916	55,227	203,205
Total expenses	\$ 5,984,425	\$ 5,563,308	\$ 2,708,059	\$ 1,180,314	\$ 15,436,106	\$ 4,537,599	\$ 5,308,606	\$ 2,686,041	\$ 1,012,860	\$ 13,545,106

National Foundation for Cancer Research, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (2,841,441)	\$ 327,698
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net investment return	520,757	(951,602)
Donated investment securities	(106,150)	(28,511)
Depreciation and amortization	35,941	29,515
(Increase) decrease in		
Accounts receivable	11,622	11,553
Prepaid expenses and other assets	(155,201)	(60,787)
Amounts held in trust by others	271,815	(213,281)
Right of use asset	(1,586,357)	-
Increase (decrease) in		
Accounts payable	(225,589)	(153,329)
Research contracts and grants payable	(441,800)	(225,949)
Accrued compensation and benefits	37,418	(10,519)
Lease Liability	1,685,974	-
Net cash flows from operating activities	(2,793,011)	(1,275,212)
Cash flows from investing activities		
Purchases of fixed assets	(50,440)	(105,357)
Purchases of investments	(198,013)	(196,995)
Sales of investments	1,517,019	25,811
Net cash flows from investing activities	1,268,566	(276,541)
Decrease in cash	(1,524,445)	(1,551,753)
Cash		
Beginning of the year	2,763,678	4,315,431
End of the year	\$ 1,239,233	\$ 2,763,678
Supplemental information		
Cash paid for income taxes	\$ 1,555	\$ 778

The Notes to the Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

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 Darwin Foundation (formerly, the Consortium for Clinical Diagnostics (CCDx)), NFCR Western Chapter, and NFCR Mid-Atlantic Chapter. The Cancer Research Laboratories Foundation, Inc., the Cancer Research Coalition was inactive and had no net assets for the years ended December 31, 2018 and 2017. 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.

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 \$0 and \$7,500 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, there was no balance due to or from AFCR.

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, 2018 and 2018 are fully collectible.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

Net Assets

Net assets arising from contributions are reported with or without donor restrictions based on stipulations of the donor. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions of long-lived assets and contributions of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support With and Without Donor Restrictions

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenues without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or satisfactions of purpose or time restrictions on net assets are reported as net assets released from restrictions.

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.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenues without donor restrictions.

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, 2018 and 2017 under these contracts, but not yet paid to the institutions by December 31, 2018 and 2017. 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, 2018 and 2017.

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.

Accounting Pronouncements Pending Adoption

Revenue Recognition

Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* was issued by the Financial Accounting Standards Board ("FASB") in May 2014 and is effective for the fiscal year beginning January 1, 2019 with early adoption permitted. The new revenue accounting standard requires recognition of revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the NFCR expects to be entitled in exchange for those goods or services. The new standard supersedes all U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires significant additional disclosures, when applicable. The new requirements have not been adopted in these financial statements. Management is currently assessing the impact of this pronouncement on prospective financial statements. However, upon adoption, management does not expect this pronouncement to have a material effect on the financial statements.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

Adoption of a Change in Accounting Principles

Presentation of Financial Statements

In August 2016 the FASB issued ASU 2016-14, *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for the year beginning January 1, 2018, with early adoption permitted, requires a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 underwater investment funds are accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. The NFCR does not have any underwater investment funds. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor's restrictions at the time the asset is placed in service. This change does not currently affect the NFCR. The ASU also changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. Net asset classifications and presentation of investment returns as of December 31, 2017 and for the year then ended, have been changed from previously issued financial statements in conformity with the presentation for the year ended December 31, 2018.

A recap of the net asset reclassifications as of December 31, 2017 that resulted from the adoption of ASU 2016-14 are as follows:

Net Asset Classifications	ASU 2016-14 Classifications					Total Net Assets
	Without Donor Restrictions		With Donor Restrictions			
	Undesignated	Total Without Donor Restrictions	Purpose Restrictions	Perpetual in Nature	Total With Donor Restrictions	
As previously presented:						
Unrestricted	\$ 9,770,149	\$ 9,770,149	\$ -	\$ -	\$ -	\$ 9,770,149
Temporarily restricted	-	-	1,433,990	-	1,433,990	1,433,990
Permanently restricted	-	-	-	2,164,758	2,164,758	2,164,758
	<u>\$ 9,770,149</u>	<u>\$ 9,770,149</u>	<u>\$ 1,433,990</u>	<u>\$ 2,164,758</u>	<u>\$ 3,598,748</u>	<u>\$ 13,368,897</u>

Lease Transactions

In February 2016 the FASB issued ASU 2016-02, *Leases* which is effective for the fiscal year beginning October 1, 2021 with early adoption permitted. In addition to expanded disclosure requirements regarding leasing activities, the new standard significantly changes current lessee accounting for operating leases. Under the new standard all lessees will be required to recognize a right-of-use asset and a lease liability on the statement of financial position for all leases of property and equipment, except for certain leases classified as short-term leases. This standard was adopted for the year ended December 31, 2018 using the optional transition method under which NFCR continued to apply the legacy guidance in ASC 840, *Leases*, including its disclosure requirements, in the comparative year presented. The right of use asset and lease liability were \$1,586,357 and \$1,685,974, respectively, and are shown on the consolidated statement of financial position.

Subsequent Events

In preparing these financial statements, management of the National Foundation for Cancer Research, Inc. and affiliates has evaluated events and transactions that occurred after December 31, 2018 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through May 13, 2019, the date that the financial statements were available to be issued and no items have come to the attention of management that require recognition or disclosure.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

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, 2018 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 the period presented in these financial statements. Should such penalties and interest be incurred, the Foundation's policy is to recognize them as general and administrative expenses on the statement of activities.

4. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018 and 2017, all net assets with donor restrictions are restricted to specific types of cancer research or they are subject to donor time restrictions, as follows:

	<u>2018</u>	<u>2017</u>
Net assets subject to time restrictions		
imposed by charitable trusts	\$ 732,889	\$ 529,902
Net assets subject to restrictions on use	481,099	904,088
Net assets perpetual in nature	<u>1,941,506</u>	<u>2,164,758</u>
	<u>\$ 3,155,494</u>	<u>\$ 3,598,748</u>

Net assets released from restriction for the years ended December 31, 2018 and 2017, represent expenditures for specific types of cancer research that have accomplished the imposed restrictions.

Perpetual in nature net assets consist of perpetual trusts for which the NFCR is named as a beneficiary.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

5. INVESTMENTS

At December 31, 2018 and 2017, the NFCR's consolidated investments consisted of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 401,105	\$ 438,402
Corporate bonds	1,230,093	1,181,657
U.S. government bonds	938,958	991,093
Common and preferred stocks	3,432,063	4,309,938
Mutual funds	1,119,514	1,149,915
Exchange traded funds	249,438	1,033,779
	<u>\$ 7,371,171</u>	<u>\$ 9,104,784</u>

The NFCR's consolidated net investment income (loss) for the years ended December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 293,922	\$ 285,338
Realized gains	430,845	455,467
Unrealized gains	(877,751)	568,646
Investment management fees	(73,851)	(72,511)
	<u>\$ (226,835)</u>	<u>\$ 1,236,940</u>

Investment management fees for the years ended December 31, 2018 and 2017 are all external investment fees.

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.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

Valuation methodology was not changed during the year ended December 31, 2018 and 2017.

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, 2018 and 2017, 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.

As of December 31, 2018 and 2017, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
Money market funds	\$ -	\$ 401,105	\$ -	\$ 401,105
Corporate bonds	-	1,230,093	-	1,230,093
U.S. government bonds	938,958	-	-	938,958
Common and preferred stocks	3,432,063	-	-	3,432,063
Mutual funds	1,119,514	-	-	1,119,514
Exchange traded funds	249,438	-	-	249,438
Amounts held in trust by others	-	2,339,933	-	2,339,933
	\$ 5,739,973	\$ 3,971,131	\$ -	\$ 9,711,104

	2017			
	Level 1	Level 2	Level 3	Total Fair Value
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
	\$ 7,484,725	\$ 4,231,807	\$ -	\$ 11,716,532

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

7. FIXED ASSETS

As of December 31, 2018 and 2017, the Foundation's fixed assets consist of the following:

	<u>2018</u>	<u>2017</u>
Office furniture and equipment	\$ 146,386	\$ 139,610
Computer equipment and software	214,547	190,454
Leasehold Improvements	<u>26,890</u>	<u>9,782</u>
	387,823	339,846
Accumulated depreciation and amortization	<u>(250,006)</u>	<u>(216,528)</u>
	<u>\$ 137,817</u>	<u>\$ 123,318</u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$35,941 and \$29,515, respectively.

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, 2018 and 2017, is \$1,921,511 and \$2,144,762, respectively. The increase (decrease) in the beneficial interest in perpetual trusts for the years ended December 31, 2018 and 2017 is \$(223,251) and \$181,738, 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, 2018 and 2017 is \$418,420 and \$466,984, respectively. The increase (decrease) in the beneficial interest in charitable remainder trusts for the years ended December 31, 2018 and 2017 is \$(48,564) and \$31,542, 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, 2018 and 2017, the board of directors has designated net assets without donor restrictions, in order to fulfill contract commitments to universities and institutions, for research amounting to \$6,062,000 and \$5,271,071, respectively

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

10. LEASE COMMITMENTS

The NFCR is the lessee in a lease contract where they obtain the right to control the asset. Operating lease right-of-use (“ROU”) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, both of which are recognized based on the present value of future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated statement of financial position and are expensed on a straight-line basis over the lease term on the consolidated statement of activities. The lease term is determined by assuming the exercise of renewal options that are reasonably certain.

The NFCR leased office and storage space under a noncancelable operating lease that came to term on 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%.

The remaining lease term is 8 years and the discount rate used is 2.75% to determine the remaining operating lease liability.

As of December 31, 2018, the maturity of the operating lease liabilities for the lease for the years ending December 31, are as follows:

2019	\$	211,998
2020		217,810
2021		223,815
2022		229,957
2023		236,293
Thereafter		<u>769,905</u>
Total operating lease payments		1,889,778
Less: Imputed interest		<u>(203,804)</u>
Total operating lease liabilities	\$	<u><u>1,685,974</u></u>

Occupancy expense for the years ended December 31, 2018 and 2017, was \$243,669 and \$199,692, respectively.

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, 2018 and 2017, retirement expense was \$241,863 and \$256,772, respectively.

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

12. ALLOCATION OF JOINT COSTS

For the years ended December 31, 2018 and 2017, the Foundation incurred joint costs of \$6,740,146 and \$6,528,202, respectively, for informational materials and activities that included fundraising appeals, which were allocated at follows:

	<u>2018</u>	<u>2017</u>
Public education and information	\$ 4,664,361	\$ 4,496,015
Fundraising	<u>2,075,785</u>	<u>2,032,187</u>
	<u>\$ 6,740,146</u>	<u>\$ 6,528,202</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.

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, 2018 and 2017, noncash support consisted of the following:

	<u>2018</u>	<u>2017</u>
Contract rights for use of supercomputer time	\$ 20,000	\$ 20,000
Chemicals, materials, and equipment	<u>147,146</u>	<u>207,678</u>
	<u>\$ 167,146</u>	<u>\$ 227,678</u>

National Foundation for Cancer Research, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

15. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, total the following at December 31, 2018:

	Statement of Financial Position	Restricted Funds	Financial Assets Available for General Expenditure
Cash	\$ 1,239,234	\$ 562,173	\$ 677,061
Investments	7,371,173	-	7,371,173
Amounts held in trusts by others	2,339,933	2,339,933	-
	10,950,340	2,902,106	8,048,234
Other assets		<u>253,389</u>	
Net assets with donor restrictions		<u>\$ 3,155,495</u>	

At December 31, 2018, the Foundation had \$8,048,234 of financial assets available to meet cash needs for general expenditures. Assets available consists of cash and cash equivalents of \$677,061 and investments of \$7,371,173. The difference between cash and cash equivalents, investments, and amounts held in trust by others per above and the balances per the statement of financial position is due to amounts that are contractually restricted and/or donor restricted, which are not available for general expenditure. The Foundation has a goal to maintain financial assets to meet 120 days of normal operating expenses which are, on average, \$800,000 per month. The board has designated \$3,000,000 for the purpose of the translational research grant.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL 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, 2018, and our report thereon dated May 13, 2019, 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 13, 2019

National Foundation for Cancer Research, Inc.
Consolidating Statement of Financial Position
December 31, 2018

	NFCR	Darwin Foundation	NFCR Western Chapter	NFCR Mid-Atlantic Chapter	Eliminations	Total
Assets						
Assets						
Cash	\$ 1,168,990	\$ 70,243	\$ -	\$ -	\$ -	\$ 1,239,233
Accounts receivable	61,399	136,313	-	-	(86,915)	110,797
Prepaid expenses and other assets	583,645	-	-	-	-	583,645
Fixed assets, net of accumulated depreciation and amortization	137,817	-	-	-	-	137,817
Investments	7,371,171	-	-	-	-	7,371,171
Amounts held in trust by others	2,339,933	-	-	-	-	2,339,933
Right of use asset	1,586,357	-	-	-	-	1,586,357
Total assets	\$ 13,249,312	\$ 206,556	\$ -	\$ -	\$ (86,915)	\$ 13,368,953
Liabilities and net assets						
Liabilities						
Accounts payable	\$ 708,546	\$ 20,525	\$ (21,385)	\$ (23,463)	\$ (86,915)	\$ 597,308
Research contracts and grants payable	393,865	-	-	-	-	393,865
Accrued compensation and benefits	164,350	-	-	-	-	164,350
Lease liability	1,685,974	-	-	-	-	1,685,974
Total liabilities	2,952,735	20,525	(21,385)	(23,463)	(86,915)	2,841,497
Net assets						
Without donor restrictions	7,141,083	186,031	21,385	23,463	-	7,371,962
With donor restrictions	3,155,494	-	-	-	-	3,155,494
Total net assets	10,296,577	186,031	21,385	23,463	-	10,527,456
Total liabilities and net assets	\$ 13,249,312	\$ 206,556	\$ -	\$ -	\$ (86,915)	\$ 13,368,953

See Independent Auditors' Report on Supplemental Information.

National Foundation for Cancer Research, Inc.
Consolidating Statement of Activities
For the Year Ended December 31, 2018

	NFCR	Darwin Foundation	NFCR Western Chapter	NFCR Mid-Atlantic Chapter	Elimination	Total
Change in net assets without donor restrictions						
Revenue and support						
Public support	\$ 9,565,822	\$ 111,000	\$ -	\$ -	\$ -	\$ 9,676,822
Bequests	1,918,625	-	-	-	-	1,918,625
Mailing list rental	267,737	-	-	-	-	267,737
Net investment return	(226,835)	-	-	-	-	(226,835)
Changes in value of split-interest agreements	(9,812)	-	-	-	-	(9,812)
Other revenue	14,936	-	-	-	-	14,936
Non-cash research support	167,146	-	-	-	-	167,146
Net assets released from restrictions	1,229,300	-	-	-	-	1,229,300
Total revenue and support	12,926,919	111,000	-	-	-	13,037,919
Expenses						
Program services						
Research	5,647,443	336,982	-	-	-	5,984,425
Public education and information	5,563,308	-	-	-	-	5,563,308
	11,210,751	336,982	-	-	-	11,547,733
Supporting services						
Fundraising	2,708,059	-	-	-	-	2,708,059
Management and general	1,175,070	-	3,593	1,651	-	1,180,314
	3,883,129	-	3,593	1,651	-	3,888,373
Total expenses	15,093,880	336,982	3,593	1,651	-	15,436,106
Change in net assets without donor restrictions	(2,166,961)	(225,982)	(3,593)	(1,651)	-	(2,398,187)
Change in net assets with donor restrictions						
Revenue and support						
Public support	1,057,861	-	-	-	-	1,057,861
Change in value of split-interest agreements	(271,815)	-	-	-	-	(271,815)
Net assets released from restrictions	(1,229,300)	-	-	-	-	(1,229,300)
Change in net assets with donor restrictions	(443,254)	-	-	-	-	(443,254)
Change in net assets	(2,610,215)	(225,982)	(3,593)	(1,651)	-	(2,841,441)
Net assets						
Beginning of the year	12,906,792	412,013	24,978	25,114	-	13,368,897
End of the year	\$ 10,296,577	\$ 186,031	\$ 21,385	\$ 23,463	\$ -	\$ 10,527,456

See Independent Auditors' Report on Supplemental Information.