

**The Children's Oncology Group
Foundation, Inc.**

Financial Statements

December 31, 2015 and 2014



Candor. Insight. Results.

The Children's Oncology Group Foundation, Inc.

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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
The Children's Oncology Group Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Oncology Group Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Children's Oncology Group Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Viechow Krause, LLP

Philadelphia, Pennsylvania
July 13, 2016

The Children's Oncology Group Foundation, Inc.

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Assets		
Cash	\$ 5,673,338	\$ 4,358,610
Grants and contributions receivable	9,717,798	9,661,242
Prepaid expenses	846,870	179,022
Deposits	2,250	2,250
Fixed assets, net	1,727	-
	<u>16,241,983</u>	<u>14,201,124</u>
Total assets	<u>\$ 16,241,983</u>	<u>\$ 14,201,124</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 91,654	\$ 39,730
Deferred revenue	192,570	300,700
	<u>284,224</u>	<u>340,430</u>
Total liabilities	<u>284,224</u>	<u>340,430</u>
Net Assets		
Unrestricted	674,258	387,468
Temporarily restricted	15,283,501	13,473,226
	<u>15,957,759</u>	<u>13,860,694</u>
Total net assets	<u>15,957,759</u>	<u>13,860,694</u>
Total liabilities and net assets	<u>\$ 16,241,983</u>	<u>\$ 14,201,124</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Activities

Year Ended December 31, 2015 with Comparative Total for Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenues and Other Additions				
Grants	\$ 356,160	\$ 8,891,626	\$ 9,247,786	\$ 9,755,962
Contributions	101,275	371,159	472,434	259,001
Conference income	196,703	10,900	207,603	190,000
Program service revenue	107,430	-	107,430	-
In-kind contributions	47,042	-	47,042	65,600
Bank interest	1,095	-	1,095	579
Net assets released from restriction	7,463,410	(7,463,410)	-	-
Total revenues and other additions	<u>8,273,115</u>	<u>1,810,275</u>	<u>10,083,390</u>	<u>10,271,142</u>
Expenses				
Program services	7,899,222	-	7,899,222	5,602,161
Supporting services:				
Management and general	76,583	-	76,583	128,213
Fundraising	10,520	-	10,520	6,187
Total supporting services expenses	<u>87,103</u>	<u>-</u>	<u>87,103</u>	<u>134,400</u>
Total expenses	<u>7,986,325</u>	<u>-</u>	<u>7,986,325</u>	<u>5,736,561</u>
Increase in Net Assets	<u>286,790</u>	<u>1,810,275</u>	<u>2,097,065</u>	<u>4,534,581</u>
Net Assets, Beginning of Year	<u>387,468</u>	<u>13,473,226</u>	<u>13,860,694</u>	<u>9,326,113</u>
Net Assets, End of Year	<u>\$ 674,258</u>	<u>\$ 15,283,501</u>	<u>\$ 15,957,759</u>	<u>\$ 13,860,694</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>
Revenues and Other Additions			
Grants	\$ 32,026	\$ 9,723,936	\$ 9,755,962
Contributions	84,580	174,421	259,001
Conference income	190,000	-	190,000
In-kind contributions	65,600	-	65,600
Bank interest	475	104	579
Net assets released from restriction	5,441,484	(5,441,484)	-
	<u>5,814,165</u>	<u>4,456,977</u>	<u>10,271,142</u>
Expenses			
Program services	5,602,161	-	5,602,161
Supporting services:			
Management and general	128,213	-	128,213
Fundraising	6,187	-	6,187
	<u>134,400</u>	<u>-</u>	<u>134,400</u>
Total supporting services expenses			
	<u>5,736,561</u>	<u>-</u>	<u>5,736,561</u>
	<u>77,604</u>	<u>4,456,977</u>	<u>4,534,581</u>
Increase in Net Assets			
	<u>309,864</u>	<u>9,016,249</u>	<u>9,326,113</u>
Net Assets, Beginning of Year			
	<u>\$ 387,468</u>	<u>\$ 13,473,226</u>	<u>\$ 13,860,694</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 2,097,065	\$ 4,534,581
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	345	-
Changes in assets and liabilities:		
Grants and contributions receivable	(56,556)	(2,624,801)
Prepaid expenses and other current assets	(667,848)	(179,022)
Accounts payable and accrued expenses	51,924	(328,396)
Deferred revenue	(108,130)	300,700
Net cash provided by operating activities	1,316,800	1,703,062
Cash Flows from Investing Activities		
Purchase of fixed assets	(2,072)	-
Net cash used in investing activities	(2,072)	-
Net increase in cash and cash equivalents	1,314,728	1,703,062
Cash, Beginning	<u>4,358,610</u>	<u>2,655,548</u>
Cash, Ending	<u>\$ 5,673,338</u>	<u>\$ 4,358,610</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

1. Nature of Operations

The Children's Oncology Group Foundation, Inc. (the "Foundation") is a not-for-profit organization incorporated in the Commonwealth of Pennsylvania in August 2011. The Foundation was formed to support the Children's Oncology Group ("COG"), an unincorporated entity, which is the world's largest organization devoted exclusively to childhood and adolescent cancer research. The Foundation enables COG's leadership, comprised of a team of doctors, nurses, laboratory scientists and other allied professionals, to direct the resources raised for childhood cancer research to the areas of highest need and opportunity. The board of the Foundation is comprised of the executive committee of COG. The Foundation allows philanthropic funds from individual supporters and organizations to go directly to COG and other organizations to fund their much needed research. In an era of rapid scientific discovery, this direct link allows COG researchers to respond quickly to new discoveries with great potential to benefit children with cancer. The Foundation's 2015 and 2014 grant expense consists of sub-grants made primarily to one organization that disperses the funds on behalf of the Foundation to COG member sites.

These activities are primarily supported by grants and contributions from foundations, corporations and individuals.

2. Summary of Significant Accounting Policies

Basis of Financial Reporting

The Foundation follows the authoritative guidance for external financial reporting by not-for-profit organizations and requires that unconditional promises to give (contributions) be recorded as a receivable and revenue and requires the Foundation to distinguish between contributions received for each net asset classification in accordance with donor imposed restrictions. The authoritative guidance also establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset classifications according to externally (donor) imposed restrictions.

A description of the net asset classifications follows:

Unrestricted Net Assets include assets that are available for the support of operations and whose use is not externally restricted.

Temporarily Restricted Net Assets include gifts and accumulated earnings for which donor imposed restrictions, primarily passage of time or occurrence of a specific event, have not been met.

Permanently Restricted Net Assets include gifts, trusts, and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

The Foundation has only unrestricted and temporarily restricted net assets as of December 31, 2015 and 2014. Temporarily restricted funds received for which the restrictions are satisfied in the same year are reported as unrestricted funds.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

Revenue Recognition

Grants or contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants and contributions restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted, which increase those net asset classifications. When a donor restriction expires, that is, a time restriction ends or a stipulated purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Grants and contributions, including unconditional promises to give, that are expected to be received within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their expected future cash flows, which approximates fair value. All grants and contributions receivable as of December 31, 2015 and 2014 are expected to be collected within one year, therefore no discount rate in determination of the present value of this balance is necessary.

Conference revenues that have been collected, but for which the conference has not been held as of the year end, program service revenue collected related to an exchange agreement for which the related services have not yet been performed, are considered not yet earned and included in deferred revenue in the statement of financial position.

Fixed Assets

Fixed assets are stated at cost and are depreciated over their estimated useful lives (three to five years) using the straight-line method. Maintenance and repairs are recorded as expenses when incurred.

Use of Estimates

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

In-Kind Contributions

In-kind contributions include donated goods and services that are recognized as revenues and expenses based on the estimated fair value of the goods or services as of the date provided. The Foundation received \$47,042 and \$65,600 in in-kind professional services in the year ended December 31, 2015 and 2014, respectively.

Income Tax

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is exempt from income tax.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
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The Foundation accounts for uncertainty in income taxes recognized in the financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after filed.

Subsequent Events

Subsequent events were evaluated for recognition or disclosure through July 13, 2016, the date the financial statements were available to be issued.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2015 and 2014 are designated for the following purposes:

	<u>2015</u>	<u>2014</u>
Pediatric cancer research supplemental programs	\$ 6,334,662	\$ 9,192,738
Project: EveryChild	3,223,795	1,847,224
Infrastructure projects	940,648	1,003,813
Biopathology center	250,000	-
Integrated translational science center	835,681	-
COG reference laboratory support	1,195,708	-
Leukemia research	675,407	619,123
Bone tumor research	450,000	300,000
Acute myeloid leukemia research	247,859	200,000
Nursing discipline	128,736	138,547
Adolescent and young adult research	40,499	89,812
General cancer research	39,660	18,100
Central nervous system tumor research	14,423	16,000
Neuroblastoma research	14,105	8,813
Renal tumor research	46,638	6,638
Soft tissue / rhabdo research	26,712	32,418
Other research support	818,968	-
	<u>818,968</u>	<u>-</u>
Total	<u>\$ 15,283,501</u>	<u>\$ 13,473,226</u>

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

4. Net Assets Released from Restrictions

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors during the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pediatric cancer research supplemental programs	\$ 6,836,658	\$ 5,298,187
Project: EveryChild	148,664	28,719
Infrastructure projects	243,352	46,187
Leukemia research	69,954	-
Acute myeloid leukemia research	62,141	
Nursing discipline	20,711	22,204
Adolescent and young adult research	49,312	-
Central nervous system tumor research	1,577	
Neuroblastoma research	1,051	46,187
Soft tissue / Rhabdo research	29,990	-
	<u>\$ 7,463,410</u>	<u>\$ 5,441,484</u>
Total		

5. Concentrations of Risk

For the years ended December 31, 2015 and 2014 approximately 64% and 73% of revenues were from one organization, respectively. Approximately 83% and 93% of the grants receivable balance for December 31, 2015 and 2014, respectively, was due from one organization.

The Foundation's grants receivable are unsecured and are at risk to the extent such amounts become uncollectible. Management carefully monitors its contributor and grantor relationships in order to minimize credit risk. All grants receivable are considered fully collectible and accordingly, no allowance for uncollectible accounts has been recorded at December 31, 2015 and 2014.

The Foundation maintains its cash account in one bank. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At various times during the year, the Foundation has balances in excess of FDIC insured limits. The Foundation has not experienced any losses on such accounts.

The Children's Oncology Group Foundation, Inc.

Schedule of Functional Expenses

Year Ended December 31, 2015

	COG Site Support	Program Capacity	Other COG Research	Total Programs	Management and General	Fundraising	Total
Grant expense	\$ 6,965,777	\$ -	\$ -	\$ 6,965,777	\$ -	\$ -	\$ 6,965,777
Research expense	-	-	312,484	312,484	-	-	312,484
Professional fees	-	169,696	267,505	437,201	144,296	-	581,497
Conference	-	73,678	17,226	90,904	-	-	90,904
Travel	-	16,046	12,197	28,243	-	-	28,243
Other expenses	-	528	772	1,300	4,213	6	5,519
Insurance	-	-	-	-	1,326	-	1,326
Professional development	-	-	230	230	-	-	230
Depreciation	-	-	-	-	345	-	345
Indirect cost allocation	21,027	26,811	15,245	63,083	(73,597)	10,514	-
	<u>\$ 6,986,804</u>	<u>\$ 286,759</u>	<u>\$ 625,659</u>	<u>\$ 7,899,222</u>	<u>\$ 76,583</u>	<u>\$ 10,520</u>	<u>\$ 7,986,325</u>