

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

Financial Statements

December 31, 2018 and 2017

The Children's Oncology Group Foundation, Inc.

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Independent Auditors' Report

To the Board of Directors of
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, 2018 and 2017, and the related statements of activities, statement of functional expenses, and statements 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, 2018 and 2017, 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.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
September 11, 2019

The Children's Oncology Group Foundation, Inc.

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Assets		
Cash	\$ 10,649,553	\$ 10,303,957
Grants and contributions receivable	6,764,137	6,070,000
Investments	779,673	803,402
Prepaid expenses	169,499	482,546
Fixed assets, net	-	345
	<u> </u>	<u> </u>
Total assets	<u>\$ 18,362,862</u>	<u>\$ 17,660,250</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,673,404	\$ 73,651
Deferred revenue	150,619	162,498
	<u> </u>	<u> </u>
Total liabilities	<u>1,824,023</u>	<u>236,149</u>
Net Assets		
Without donor restrictions	2,275,417	1,992,129
With donor restrictions	14,263,422	15,431,972
	<u> </u>	<u> </u>
Total net assets	<u>16,538,839</u>	<u>17,424,101</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 18,362,862</u>	<u>\$ 17,660,250</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Activities

Year Ended December 31, 2018 with Comparative Total for Year Ended December 31, 2017

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues, Gains and Other Support				
Grants	\$ 1,994,173	\$ 6,314,823	\$ 8,308,996	\$ 8,273,741
Contributions	175,387	774,203	949,590	901,498
Conference income	233,200	-	233,200	75,450
Program service revenue	575,079	-	575,079	2,896
In-kind contributions	32,116	-	32,116	29,036
Bank interest	660	-	660	1,554
Investment (loss) income	(1,678)	-	(1,678)	51,412
Other income	-	-	-	336
Net assets released from restriction	<u>8,257,576</u>	<u>(8,257,576)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>11,266,513</u>	<u>(1,168,550)</u>	<u>10,097,963</u>	<u>9,335,923</u>
Expenses				
Program services	<u>10,891,279</u>	<u>-</u>	<u>10,891,279</u>	<u>8,889,468</u>
Supporting services:				
Management and general	80,590	-	80,590	57,079
Fundraising	<u>11,356</u>	<u>-</u>	<u>11,356</u>	<u>24,945</u>
Total supporting services expenses	<u>91,946</u>	<u>-</u>	<u>91,946</u>	<u>82,024</u>
Total expenses	<u>10,983,225</u>	<u>-</u>	<u>10,983,225</u>	<u>8,971,492</u>
Changes in net assets	283,288	(1,168,550)	(885,262)	364,431
Net Assets, Beginning of Year	<u>1,992,129</u>	<u>15,431,972</u>	<u>17,424,101</u>	<u>17,059,670</u>
Net Assets, End of Year	<u>\$ 2,275,417</u>	<u>\$ 14,263,422</u>	<u>\$ 16,538,839</u>	<u>\$ 17,424,101</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Activities

Year Ended December 31, 2017

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues, Gains and Other Support			
Grants	\$ 120,000	\$ 8,153,741	\$ 8,273,741
Contributions	151,993	749,505	901,498
Conference income	75,450	-	75,450
Program service revenue	-	2,896	2,896
In-kind contributions	29,036	-	29,036
Bank interest	1,554	-	1,554
Investment income	51,412	-	51,412
Other income	336	-	336
Net assets released from restriction	8,596,410	(8,596,410)	-
	<u>9,026,191</u>	<u>309,732</u>	<u>9,335,923</u>
Total revenues, gains and other support			
	<u>9,026,191</u>	<u>309,732</u>	<u>9,335,923</u>
Expenses			
Program services	8,889,468	-	8,889,468
Supporting services:			
Management and general	57,079	-	57,079
Fundraising	24,945	-	24,945
	<u>82,024</u>	<u>-</u>	<u>82,024</u>
Total supporting services expenses			
	<u>82,024</u>	<u>-</u>	<u>82,024</u>
Total expenses	<u>8,971,492</u>	<u>-</u>	<u>8,971,492</u>
Changes in net assets	54,699	309,732	364,431
Net Assets, Beginning of Year	<u>1,937,430</u>	<u>15,122,240</u>	<u>17,059,670</u>
Net Assets, End of Year	<u>\$ 1,992,129</u>	<u>\$ 15,431,972</u>	<u>\$ 17,424,101</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018

	<u>COG Site Support</u>	<u>Program Capacity</u>	<u>Other COG Research</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grant expense	\$ 7,544,600	\$ -	\$ 2,600,180	\$ 10,144,780	\$ -	\$ -	\$ 10,144,780
Research expense	-	-	507,132	507,132	-	-	507,132
Professional fees	-	54,360	-	54,360	198,603	-	252,963
Conference	-	56,376	-	56,376	-	-	56,376
Travel	-	12,766	-	12,766	-	-	12,766
Other expenses	-	2,095	73	2,168	3,168	2,343	7,679
Insurance	-	-	-	-	1,184	-	1,184
Depreciation	-	-	-	-	345	-	345
Indirect cost allocation	9,126	40,813	63,758	113,697	(122,710)	9,013	-
	<u>\$ 7,553,726</u>	<u>\$ 166,410</u>	<u>\$ 3,171,143</u>	<u>\$ 10,891,279</u>	<u>\$ 80,590</u>	<u>\$ 11,356</u>	<u>\$ 10,983,225</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (885,262)	\$ 364,431
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	345	691
Realized and unrealized (gain) loss	44,231	(37,339)
Changes in assets and liabilities:		
Grants and contributions receivable	(694,137)	956,027
Prepaid expenses and other current assets	313,047	(33,206)
Deposits	-	2,250
Accounts payable and accrued expenses	1,599,753	11,414
Deferred revenue	(11,879)	6,904
	<u>366,098</u>	<u>1,271,172</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchase of investments	(20,502)	(512,971)
	<u>(20,502)</u>	<u>(512,971)</u>
Net cash used in investing activities		
Net increase in cash	345,596	758,201
Cash, Beginning	<u>10,303,957</u>	<u>9,545,756</u>
Cash, Ending	<u>\$ 10,649,553</u>	<u>\$ 10,303,957</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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 members 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 2018 and 2017 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 two net asset classifications according to externally (donor) imposed restrictions.

A description of the net asset classifications follows:

Net assets without donor restriction - Net assets that are not subject to donor-imposed stipulations and these net assets may be designated for specific purposes by action of the Board of Trustees. There are no designations on net assets without donor restrictions as of December 31, 2018 and 2017. Net assets without donor restriction are available for the support of operations and whose use is not externally restricted.

Net assets with donor restriction - Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restriction are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restriction. Additionally, fund receive as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions. The Foundation does not have any net asset balances with the donor stipulation that the principal be maintained intact in perpetuity as of December 31, 2018 and 2017.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

December 31, 2018 and 2017

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 with donor restrictions, which increase those net asset classifications. When a donor restriction expires, that is, a time restriction ends or a stipulated purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restriction.

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, 2018 and 2017 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, and 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 statements of financial position.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents includes interest-bearing deposits with original maturities of three months or less, including money market funds.

Investments

The Foundation's investments are reported at fair value in the accompanying statements of financial position. Realized gains and losses are computed on the average cost method.

Financial Instruments and Risk Concentration

The Foundation's principal financial instruments subject to credit risk are its cash and investments. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

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.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
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Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the program and supporting services benefitted based on a percentage of personnel costs.

The Foundation incurred expenses amounting to \$11,356 and \$24,945 during the years ended December 31, 2018 and 2017, respectively, related to development and fundraising. These amounts are reported as fundraising expense in the accompanying statements of activities.

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 \$32,166 and \$29,036 in in-kind professional services in the years ended December 31, 2018 and 2017, 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 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.

New Accounting Standard, Adopted

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is to be applied retroactively with transition provisions. The Foundation adopted ASU 2016-14 for the fiscal year ended December 31, 2018. Adoption of this standard had minimal impact on financial reporting in the statement of financial position and the statement of activities and increase financial statement disclosure in accordance with the presentation requirements.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

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New Accounting Standards, Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 provides a single comprehensive revenue recognition framework and supersedes existing revenue recognition guidance. Included in the new principles-based revenue recognition model are changes to the basis for deciding on the timing for revenue recognition. In addition, the standard expands and improves revenue disclosures. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers the effective date of ASU 2014-09 to annual or interim reporting periods beginning after December 15, 2018. This update is effective for the Foundation's fiscal year beginning January 1, 2019. The Foundation is assessing the impact this standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance provides clarification and improves the accounting guidance for contributions received and contributions made. ASU 2018-08 will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective on a modified prospective basis for annual or interim reporting periods beginning after December 15, 2019. Early adoption is permitted. This update is effective for the Foundation's fiscal year beginning January 1, 2020. The Foundation is assessing the impact this standard will have on its financial statements.

Subsequent Events

Subsequent events were evaluated for recognition or disclosure through September 11, 2019, the date the financial statements were available to be issued.

3. Investments and Fair Value Measurements

The Foundation's investments, at fair value, consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equity mutual fund	\$ 779,673	\$ 803,402
Total investments	<u>\$ 779,673</u>	<u>\$ 803,402</u>

Investment (loss) income for the years ended December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Dividend income	\$ 42,553	\$ 14,073
Realized gains	8,390	2,015
Unrealized (losses) gains	<u>(52,621)</u>	<u>35,324</u>
	<u>\$ (1,678)</u>	<u>\$ 51,412</u>

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Foundation has no investments valued using Level 2 or 3 inputs.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

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The following table presents information about the Foundation's investments measured and disclosed at fair value or net asset value as of December 31, 2018 and 2017 and indicates the fair value hierarchy:

	2018			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 779,673	\$ -	\$ -	\$ 779,673
Total investments reported at fair value	<u>\$ 779,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,673</u>
	2017			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 803,402	\$ -	\$ -	\$ 803,402
Total investments reported at fair value	<u>\$ 803,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 803,402</u>

The following provides a brief description of the types of financial instruments the Foundation holds, the methodology for estimating fair value, and the level within the hierarchy of the estimate:

Equity mutual funds: These are mutual funds that consist of securities which are traded on a recognized active exchange. The closing price of the security as of the reporting date is used to determine fair value. This is considered a Level 1 value in the hierarchy.

4. Net Assets With Donor Restriction

Net assets with donor restriction as of December 31, 2018 and 2017 are designated for the following purposes:

	2018	2017
Pediatric cancer research supplemental programs	\$ 2,440,187	\$ 5,992,504
Project: EveryChild	3,609,525	3,457,467
Infrastructure projects	257,530	315,351
Integrated Translational Science Center	934,885	679,892
COG Reference Laboratories	1,015,000	910,000
Leukemia research	1,459,606	821,159
Bone tumor research	22,558	32,901
Acute myeloid leukemia research	902,333	710,385
Nursing discipline	118,640	128,007
Adolescent and young adult research	1,172	1,172
General cancer research	256,177	17,404
Central nervous system tumor research	-	12,000
Neuroblastoma research	628,070	650,750
Renal tumor research	69,638	56,638
Soft tissue sarcoma research	2,267	1,549
Other research support	2,545,834	1,644,793
Total	<u>\$ 14,263,422</u>	<u>\$ 15,431,972</u>

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

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5. Net Assets Released from Restrictions

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pediatric cancer research supplemental programs	\$ 4,699,753	\$ 4,321,800
Project: EveryChild	552,179	1,188,945
Infrastructure projects	57,820	419,481
Integrated Translational Science Centers	256,209	541,534
COG Reference Laboratories	984,728	868,051
Leukemia research	429,949	120,000
Bone tumor research	23,103	41,514
Acute myeloid leukemia research	718,248	767,676
Nursing discipline	14,367	9,781
Adolescent and young adult research	-	1,827
General cancer research	187,580	202,277
Central nervous system tumor research	12,000	-
Neuroblastoma research	222,680	-
Soft tissue sarcoma research	-	31,773
Other research support	98,960	81,751
	<u>98,960</u>	<u>81,751</u>
Total	<u>\$ 8,257,576</u>	<u>\$ 8,596,410</u>

6. Concentrations of Risk

For the years ended December 31, 2018 and 2017, approximately 64 percent and 65 percent of revenues were from one organization, respectively. Approximately 95 percent and 99 percent of the grants receivable balance for December 31, 2018 and 2017, 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, 2018 and 2017.

The Foundation maintains its operating cash accounts in two banks. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). 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.

Notes to Financial Statements
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7. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of December 31, 2018 for general expenditure are as follows:

Cash and cash equivalents	\$ 10,649,553
Grants and contributions receivable without donor restriction	25,000
Grants and contributions receivable with donor restriction expected to be collected and the donor purpose restriction met within one year	6,739,137
Short-term investments	<u>779,673</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,193,363</u>

The Foundation's primary sources of revenue are grants and contributions from private foundations and the general public. Most of the support is required to be used in accordance with the purpose restrictions imposed by the donors. The majority of the support is received in advance of when the expenditures are incurred in accordance with the associated purpose restriction; therefore, the Foundation holds these funds in cash and short-term investment until expenditures are incurred. The Foundation's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.