

Pediatric Brain Tumor Foundation of the United States, Inc.

Financial Statements

Years Ended December 31, 2015 and 2014

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Independent Auditors' Report

Members of the Board of Directors
Pediatric Brain Tumor Foundation of the United States, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Pediatric Brain Tumor Foundation of the United States, Inc. (the "Foundation") as of December 31, 2015 and 2014, and the related statements of activities, functional expenses 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 auditors' 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 Foundation'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 Foundation'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 Pediatric Brain Tumor Foundation of the United States, Inc. at December 31, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Asheville, North Carolina
April 18, 2016

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 509,535	\$ 281,906
Investments	1,981,609	4,179,047
Accounts receivable	127,113	10,958
Contributions receivable	23,620	34,856
Other assets	90,420	85,198
Property and equipment, net	165,670	226,331
	<u>2,897,967</u>	<u>4,818,296</u>
Total assets	<u>\$ 2,897,967</u>	<u>\$ 4,818,296</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 202,060	\$ 290,868
Grants payable	1,118,621	1,566,665
	<u>1,320,681</u>	<u>1,857,533</u>
Total liabilities	<u>1,320,681</u>	<u>1,857,533</u>
Net assets:		
Unrestricted:		
Board designated—quasi-endowment	1,716,243	2,400,000
Available for operations	(266,061)	458,513
	<u>1,450,182</u>	<u>2,858,513</u>
Total unrestricted net assets	<u>1,450,182</u>	<u>2,858,513</u>
Temporarily restricted net assets	127,104	102,250
	<u>1,577,286</u>	<u>2,960,763</u>
Total net assets	<u>1,577,286</u>	<u>2,960,763</u>
Total liabilities and net assets	<u>\$ 2,897,967</u>	<u>\$ 4,818,296</u>

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Activities
Years Ended December 31, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Public contributions	\$ 5,050,317	\$ 127,104	\$ 5,177,421
Less direct benefits to donors	(159,113)	-	(159,113)
Non-cash contributions	573,480	-	573,480
Investment income	1,743	-	1,743
Net assets released from restrictions	102,250	(102,250)	-
Total revenues, gains, and other support	<u>5,568,677</u>	<u>24,854</u>	<u>5,593,531</u>
Expenses:			
Programs	5,470,594	-	5,470,594
Management and general	801,785	-	801,785
Fundraising	704,629	-	704,629
Total expenses	<u>6,977,008</u>	<u>-</u>	<u>6,977,008</u>
Change in net assets	(1,408,331)	24,854	(1,383,477)
Net assets at beginning of year	<u>2,858,513</u>	<u>102,250</u>	<u>2,960,763</u>
Net assets at end of year	<u>\$ 1,450,182</u>	<u>\$ 127,104</u>	<u>\$ 1,577,286</u>

See accompanying notes.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 4,486,350	\$ 102,250	\$ 4,588,600
(3,676)	-	(3,676)
638,125	-	638,125
304,117	-	304,117
149,324	(149,324)	-
<u>5,574,240</u>	<u>(47,074)</u>	<u>5,527,166</u>
5,521,896	-	5,521,896
684,305	-	684,305
687,339	-	687,339
<u>6,893,540</u>	<u>-</u>	<u>6,893,540</u>
(1,319,300)	(47,074)	(1,366,374)
<u>4,177,813</u>	<u>149,324</u>	<u>4,327,137</u>
<u>\$ 2,858,513</u>	<u>\$ 102,250</u>	<u>\$ 2,960,763</u>

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	2015				Total
	Program	Management and General	Fundraising	Supporting Services	
Salaries and related expenses	\$ 1,637,866	\$ 443,279	\$ 440,075	\$ 883,354	\$ 2,521,220
Research grants	1,265,785	-	-	-	1,265,785
Ride for Kids® donated expenses	473,778	-	-	-	473,778
Ride for Kids® expenses	131,998	-	17,749	17,749	149,747
Direct aid to families	423,576	-	-	-	423,576
Scholarship awards	121,750	-	-	-	121,750
Awards and honorariums	2,737	25	1,598	1,623	4,360
Conferences	150,297	610	-	610	150,907
Services	130,222	25,983	16,861	42,844	173,066
Office expenses	11,761	19,573	5,175	24,748	36,509
Equipment rental	147,870	2,547	11,829	14,376	162,246
Video	8,172	-	962	962	9,134
Advertising	11,798	6,980	806	7,786	19,584
Repairs and maintenance	255	5,295	100	5,395	5,650
Rent and utilities	152,696	23,439	48,597	72,036	224,732
Telephone	20,092	7,806	4,574	12,380	32,472
Auto expense	66,856	4,309	10,147	14,456	81,312
Travel	332,479	34,486	20,359	54,845	387,324
Supplies	2,054	9	-	9	2,063
Training	1,057	8,293	290	8,583	9,640
Professional fees	79,801	43,031	-	43,031	122,832
Insurance	15,859	18,621	2,989	21,610	37,469
Printing and postage	175,045	5,169	63,912	69,081	244,126
Fees and licenses	63,360	58,614	46,514	105,128	168,488
IT services	15	22,950	20	22,970	22,985
Depreciation	40,695	10,641	11,269	21,910	62,605
Other	2,720	60,125	803	60,928	63,648
Total expenses before direct benefits to donors	5,470,594	801,785	704,629	1,506,414	6,977,008
Direct benefits to donors	-	-	-	-	159,113
Total expenses	<u>\$ 5,470,594</u>	<u>\$ 801,785</u>	<u>\$ 704,629</u>	<u>\$ 1,506,414</u>	<u>\$ 7,136,121</u>

See accompanying notes.

2014

<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
\$ 1,450,766	\$ 322,743	\$ 350,396	\$ 673,139	\$ 2,123,905
1,754,360	-	-	-	1,754,360
507,681	-	-	-	507,681
144,161	-	26,722	26,722	170,883
204,742	-	-	-	204,742
124,500	-	-	-	124,500
2,410	153	-	153	2,563
97,148	-	-	-	97,148
122,760	35,372	37,335	72,707	195,467
13,232	20,895	5,914	26,809	40,041
178,156	2,228	18,447	20,675	198,831
7,908	-	504	504	8,412
2,240	1,268	295	1,563	3,803
1,704	6,052	11,684	17,736	19,440
146,418	35,569	35,684	71,253	217,671
21,952	9,483	3,895	13,378	35,330
70,487	924	9,598	10,522	81,009
293,944	13,196	39,504	52,700	346,644
13	-	5,203	5,203	5,216
304	5,789	161	5,950	6,254
79,771	68,417	-	68,417	148,188
11,369	11,162	223	11,385	22,754
190,269	4,936	98,001	102,937	293,206
48,614	65,565	31,858	97,423	146,037
591	12,994	-	12,994	13,585
44,425	7,926	10,525	18,451	62,876
1,971	59,633	1,390	61,023	62,994
5,521,896	684,305	687,339	1,371,644	6,893,540
-	-	-	-	3,676
<u>\$ 5,521,896</u>	<u>\$ 684,305</u>	<u>\$ 687,339</u>	<u>\$ 1,371,644</u>	<u>\$ 6,897,216</u>

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (1,383,477)	\$ (1,366,374)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	62,605	62,876
Net realized and unrealized (gains) losses on investments	87,889	(185,744)
Changes in assets and liabilities:		
Accounts receivable	(116,155)	18,560
Contributions receivable	11,236	16,864
Other assets	(5,222)	1,427
Accounts payable and accrued expenses	(88,808)	177,682
Grants payable	(448,044)	(100,002)
Net cash used by operating activities	<u>(1,879,976)</u>	<u>(1,374,711)</u>
Cash flows from investing activities:		
Purchases of investments	(89,632)	(118,653)
Sales of investments	2,199,181	1,225,000
Purchase of property and equipment	(1,944)	(75,704)
Net cash provided by investing activities	<u>2,107,605</u>	<u>1,030,643</u>
Net increase (decrease) in cash and cash equivalents	227,629	(344,068)
Cash and cash equivalents, beginning of year	<u>281,906</u>	<u>625,974</u>
Cash and cash equivalents, end of year	<u>\$ 509,535</u>	<u>\$ 281,906</u>

See accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization

The Pediatric Brain Tumor Foundation of the United States, Inc. (the “Foundation”) is a national non-profit organization dedicated to funding brain tumor research with an emphasis on pediatrics, increasing public awareness about the disease of pediatric brain tumors, and providing encouragement, educational and emotional support to the families of children with brain tumors.

The Foundation’s goals are achieved through the funding of scientific research projects at leading research facilities across the United States and internationally, that are related to the disease of childhood brain tumors. Research funds are granted through a scientific peer review process. Educational grants are provided to fund medical symposiums in the United States and internationally, and research awards of excellence to recognize outstanding research accomplishments of scientific principal investigators.

The Foundation has provided innovative funding such as an operational grant to fund the creation and support of a national database on the epidemiology of the disease of childhood and adult brain tumors, as well as a founding grant to fund the medical journal, *Neuro-Oncology*.

Awareness and patient support programs are accomplished through the publication of a monthly e-newsletter, through on-line videos on topics of education and awareness of pediatric brain tumors, creation, and free distribution of informative literature to families, members of the medical and psychosocial professional community, educational web site and mission-focused fundraising programs such as Ride for Kids® and the Starry Night 8.5K. Education scholarships are funded for pediatric brain tumor survivors to accredited institutions beyond high school.

In 2014, the Foundation acquired the Brain Tumor Foundation for Children, Inc., a non-profit organization in Atlanta, Georgia, which provided financial assistance, social support, and information for families of children with brain and spinal cord tumors. The Foundation has continued with this mission, as agreed upon in the related purchase agreement, in the form of direct aid to families.

During the third year of the Foundation’s 2013-16 strategic plan, the Foundation made critical investments of financial and human capital to achieve six key objectives, including growing existing fundraising programs and creating new revenue sources to fund more research. The Foundation also intentionally invested in creating a network of local chapters to reach and serve more families affected by childhood brain tumors.

To diversify revenue beginning in 2014, the Foundation launched a new signature fundraising event, the Starry Night 8.5K walk/run; established new corporate partnerships; created an annual and major giving program to increase non-event revenue; and introduced low-cost, efficient online fundraising pages for community members and endurance athletes. The Ride for Kids® program worked with motorcycle industry experts to increase new and return participation; cross-promoted with the Starry Night program and added components to increase general community participation.

The Foundation’s research investment strategy included establishing a framework for prioritizing funding; creating a Research Advisory Network to provide highly informed perspectives on the biomedical research enterprise; and broadening the scope of the Foundation’s research funding and expertise. The Foundation began to expand family support program offerings, including hosting its first educational conference for survivors and parents. On the organizational side, the Foundation recruited new board members from the legal, financial services, insurance marketing and hospitality industries; increased board involvement in fundraising and established Chapter offices in Georgia and Illinois.

Pediatric Brain Tumor Foundation of the United States, Inc.
Notes to Financial Statements

In 2014, the Foundation created an integrated marketing and communications plan; established stronger brand identity by developing branded websites, fundraising events and educational literature; and expanded communications resources to support new programs and initiatives such as chapters and online fundraising. The Foundation increased the use of social media to communicate mission-driven stories and developed new and updated educational resources for families.

Method of reporting

The Foundation's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted net assets based on stipulations made by the donor. Temporarily restricted contributions received and expended in the same year are reported as unrestricted revenue rather than as temporarily restricted revenue. The Foundation has no permanently restricted net assets.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

The Foundation records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or purchased long-lived assets are acquired and/or placed in service.

Accordingly, the Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated assets are recorded at fair market value on the date of receipt. A substantial number of unpaid volunteers have donated significant amounts of their time to the Foundation's programs. If donated services either created or enhanced non-financial assets or required specialized skills that would have to be purchased if not donated, the value of those donated services would be recorded. To that end, non-cash contributions of equipment, materials, motorcycles, food, and professional and other services in the amount of \$573,480 and \$638,125 are included in the 2015 and 2014 statements of activities, respectively.

Functional expenses

The Foundation allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expense classification. Other expenses that are common to several functions are allocated based upon management's best estimates of time spent or facilities used.

Allocation of joint costs

The Foundation conducts a direct mail campaign that includes requests for contributions, as well as program components. The cost of conducting that campaign included approximately \$18,000 and \$30,000 of joint costs for the years ended December 31, 2015 and 2014, respectively, which are not specifically attributable to particular components of the campaign. For the years ended December 31, 2015 and 2014, the Foundation allocated

Pediatric Brain Tumor Foundation of the United States, Inc.
Notes to Financial Statements

\$8,966 and \$14,987, respectively, to program expense, and allocated another \$8,966 and \$14,987, respectively, to fundraising expense on the accompanying statements of activities.

Estimates

The preparation of the financial statements in accordance 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 reporting date. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Receivables

The Foundation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectable, they will be charged to operations when the determination is made.

Investments

Investments include cash and cash equivalents, money market funds, mutual funds, common stock, and corporate obligations and bond funds. Investments in equity securities with readily determinable fair value and all investments in debt securities are measured at fair value in the statements of financial position.

Fair value measurements

Fair value as defined under GAAP is an exit price, representing 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. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1:** Observable inputs such as quoted prices in active markets.
- Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3:** Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Depreciable lives range from three to seven years. The Foundation capitalizes and depreciates all capital expenditures in excess of \$500.

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2015.

Concentration of credit risk

The Foundation maintains bank accounts with various financial institutions throughout the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At times, the Foundation has cash balances that exceed the insured amount. Management believes that the risks related to these deposits are minimal.

Pediatric Brain Tumor Foundation of the United States, Inc.
Notes to Financial Statements

2. Reclassifications

Certain items in the 2014 Statement of Activities and Statement of Functional Expenses, related to direct donor benefits have been reclassified to conform to the 2015 presentation.

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all short-term liquid investments with maturities of three months or less (except money market funds held in the investment portfolios) to be cash equivalents. See Note 6 for a further description of restricted cash.

At December 31, 2015 and 2014, cash and cash equivalents consist of the following:

	<u>2015</u>	<u>2014</u>
Cash	\$ 382,431	\$ 179,656
Restricted cash	<u>127,104</u>	<u>102,250</u>
Total	<u>\$ 509,535</u>	<u>\$ 281,906</u>

4. Fair Value of Financial Assets

Prices for certain investments such as common stock, money market funds, and mutual funds are readily available in active markets in which those securities are traded, and the resulting fair values are categorized as Level 1. Prices for corporate bonds are determined on a recurring basis based on inputs readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

There were no changes, during the years ended December 31, 2015 and 2014, to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets accounted for at fair value on a recurring basis as of December 31, 2015 and 2014. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Assets at fair value as of December 31, 2015 and 2014 consist of the following:

	<u>Assets at Fair Value as of December 31, 2015</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Fair Value</u>
Money market funds	\$ 87,343	\$ -	\$ -	\$ 87,343
Mutual funds and ETFs:				
Bond funds	303,973	-	-	303,973
Common stocks	955,872	-	-	955,872
Corporate bonds and government securities	<u>-</u>	<u>632,832</u>	<u>-</u>	<u>632,832</u>
	<u>\$ 1,347,188</u>	<u>\$ 632,832</u>	<u>\$ -</u>	<u>\$ 1,980,020</u>

(continued)

Pediatric Brain Tumor Foundation of the United States, Inc.
Notes to Financial Statements

	Assets at Fair Value as of December 31, 2014			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Fair Value</u>
Money market funds	\$ 154,963	\$ -	\$ -	\$ 154,963
Mutual funds and ETFs:				
Bond funds	533,300	-	-	533,300
Common stocks	2,206,939	-	-	2,206,939
Corporate bonds and government securities	<u>-</u>	<u>1,270,342</u>	<u>-</u>	<u>1,270,342</u>
	<u>\$ 2,895,202</u>	<u>\$ 1,270,342</u>	<u>\$ -</u>	<u>\$ 4,164,544</u>

The Foundation has \$1,589 and \$13,503 of cash and cash equivalents held in investment accounts as of December 31, 2015 and 2014, respectively, which was not classified as a level as prescribed within the provision.

The Foundation recognizes transfers between the levels as of the beginning of the reporting period. There were no gross transfers between the levels for the years ended December 31, 2015 and 2014.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The components of investment income for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividend income, net of investment cost	\$ 89,632	\$ 118,373
Net realized gains	149,144	737,599
Net unrealized losses	<u>(237,033)</u>	<u>(551,855)</u>
	<u>\$ 1,743</u>	<u>\$ 304,117</u>

5. Property and Equipment

At December 31, 2015 and 2014, property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 167,546	\$ 165,600
Furniture	132,645	132,645
Telephone system	33,095	33,095
Leasehold improvements	99,345	99,345
Other office equipment	<u>316,484</u>	<u>316,484</u>
	749,115	747,169
Less accumulated depreciation	<u>(583,445)</u>	<u>(520,838)</u>
Property and equipment, net	<u>\$ 165,670</u>	<u>\$ 226,331</u>

Pediatric Brain Tumor Foundation of the United States, Inc.
Notes to Financial Statements

6. Grants Payable

Grants payable at December 31, 2015 and 2014, include the following:

	<u>2015</u>	<u>2014</u>
Pediatric Brain Tumor Foundation Research Institute grants	\$ 494,185	\$ 1,016,665
Early Career Development and Opportunity Grants	<u>624,436</u>	<u>550,000</u>
Grants Payable	<u>\$ 1,118,621</u>	<u>\$ 1,566,665</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Subsequent year Ride for Kids®	<u>\$ 127,104</u>	<u>\$ 102,250</u>

8. Quasi-Endowment

The Foundation's quasi-endowment was organized to support the financial operations of the Foundation. The Foundation's board designated funds include amounts classified as unrestricted. During 2015, the Board elected to reduce the amount of the board designated funds by \$683,757, from \$2,400,000 to \$1,716,243, for operational use. The Board resolved to adjust the board designated funds as needed for the reserve to be held at a minimum of 30 percent of annual budgeted expenses. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulated is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Foundation

Pediatric Brain Tumor Foundation of the United States, Inc.
Notes to Financial Statements

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for board designated assets that are intended to provide an ongoing stream of funding for financial assistance that is supported by the quasi-endowment. The quasi-endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the board designated assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Foundation expects its board designated funds, over time, to provide a rate of return similar to that of other investments of the Foundation.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

9. Net Assets Released from Restrictions

Net assets released from restrictions for the years ended December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Ride for Kids® contributions and sponsorships	<u>\$ 102,250</u>	<u>\$ 149,324</u>

10. Commitments

Operating lease

The Foundation has an operating lease agreement for the rental of office space in Asheville, North Carolina and Atlanta, Georgia. Rent expense for the year totaled \$213,388. The agreement for the Asheville space expires in March 2022. The agreement for the Atlanta space was renewed in 2015 and will expire in July 2020. Annual future minimum payments are as follows for the years ending December 31,

2016	\$ 174,196
2017	182,889
2018	187,500
2019	192,216
2020	181,864
2021	165,035
2022	<u>41,516</u>
	<u>\$ 1,125,216</u>

Conditional grants

In 2014, three \$1 million grants were approved to existing research facilities for the purpose of funding a multi-year research program. Actual funding of these grants is to be paid out to the grant recipients in installments for three years beginning in 2015 and ending in December 2017. Anticipated grant payments of \$494,185 have been included in grants payable at December 31, 2015. Future grant payments are contingent upon the Foundation's ability to generate future revenue and the recipient's ability to meet the grant's ongoing conditions and have therefore been excluded from the grants payable liability.

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In December 2015, the Foundation also approved three grants to be awarded in the amount of \$100,000 each, one grant in the amount of \$250,000, and one grant in the amount of \$50,000 for either Early Career Development or Opportunity Award grants. Anticipated grant payments of \$600,000 have been included in grants payable at December 31, 2015 related to these grants. Future grant payments are contingent upon the Foundation's ability to generate future revenue and the recipient's ability to meet the grant's ongoing conditions and have therefore been excluded from the grants payable liability.

11. Retirement Plan

The Foundation sponsors a 401(k) defined contribution pension plan covering all its employees. The Foundation matches 100% of eligible employee contributions up to 3% of employees' annual compensation plus 50% of eligible employee contributions up to 6% of the employees' annual compensation. The employees are immediately vested in their contributions. Foundation matching contributions begin when an employee begins contributing and are 100% vested immediately. Profit sharing contributions, in an amount to be determined by the Foundation each year, begin after one year of service eligibility requirement is met. Retirement plan expense amounted to \$51,582 and \$41,259 for the years ended December 31, 2015 and 2014, respectively.

12. Related Party Transactions

During 2015 and 2014, approximately \$99,000 and \$125,000, respectively, in legal fees were donated by a member of the Board of the Foundation. These amounts are included in professional fees and non-cash contributions.

13. Risks and Uncertainties

A significant portion of the Foundation's assets is held in various investment options. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities will occur and that such changes could materially affect the amounts reported in the financial statements.

14. Subsequent Events

Subsequent events have been evaluated through April 18, 2016, which is the date the financial statements were available to be issued.