

Pediatric Brain Tumor Foundation of the United States, Inc.

Financial Statements

Years Ended December 31, 2016 and 2015

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Independent Auditors' Report

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

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, 2016 and 2015, 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, 2016 and 2015, 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 14, 2017**

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 440,730	\$ 509,535
Investments	1,809,865	1,981,609
Accounts receivable	140,626	127,113
Contributions receivable	20,615	23,620
Other assets	90,022	90,420
Property and equipment, net	129,419	165,670
	<u>2,631,277</u>	<u>2,897,967</u>
Total assets	<u>\$ 2,631,277</u>	<u>\$ 2,897,967</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 156,825	\$ 202,060
Grants payable	929,959	1,118,621
	<u>1,086,784</u>	<u>1,320,681</u>
Total liabilities	<u>1,086,784</u>	<u>1,320,681</u>
Net assets:		
Unrestricted:		
Board designated—quasi-endowment	1,716,243	1,716,243
Available for operations	(295,137)	(266,061)
	<u>1,421,106</u>	<u>1,450,182</u>
Total unrestricted net assets	<u>1,421,106</u>	<u>1,450,182</u>
Temporarily restricted net assets	123,387	127,104
	<u>1,544,493</u>	<u>1,577,286</u>
Total net assets	<u>1,544,493</u>	<u>1,577,286</u>
Total liabilities and net assets	<u>\$ 2,631,277</u>	<u>\$ 2,897,967</u>

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Activities
Years Ended December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Public contributions	\$ 5,765,502	\$ 123,387	\$ 5,888,889
Less direct benefits to donors	(848,680)	-	(848,680)
Non-cash contributions	458,680	-	458,680
Investment income	88,894	-	88,894
Net assets released from restrictions	127,104	(127,104)	-
 Total revenues, gains, and other support	 <u>5,591,500</u>	 <u>(3,717)</u>	 <u>5,587,783</u>
Expenses:			
Programs	4,263,523	-	4,263,523
Management and general	708,660	-	708,660
Fundraising	648,393	-	648,393
 Total expenses	 <u>5,620,576</u>	 <u>-</u>	 <u>5,620,576</u>
Change in net assets	(29,076)	(3,717)	(32,793)
Net assets at beginning of year	1,450,182	127,104	1,577,286
 Net assets at end of year	 <u>\$ 1,421,106</u>	 <u>\$ 123,387</u>	 <u>\$ 1,544,493</u>

See accompanying notes.

2015		
Unrestricted	Temporarily Restricted	Total
\$ 5,050,317	\$ 127,104	\$ 5,177,421
(965,670)	-	(965,670)
573,480	-	573,480
1,743	-	1,743
102,250	(102,250)	-
<u>4,762,120</u>	<u>24,854</u>	<u>4,786,974</u>
4,650,771	-	4,650,771
801,785	-	801,785
717,895	-	717,895
<u>6,170,451</u>	<u>-</u>	<u>6,170,451</u>
(1,408,331)	24,854	(1,383,477)
<u>2,858,513</u>	<u>102,250</u>	<u>2,960,763</u>
<u>\$ 1,450,182</u>	<u>\$ 127,104</u>	<u>\$ 1,577,286</u>

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

	2016				Total
	Program	Management and General	Fundraising	Supporting Services	
Salaries and related expenses	\$ 1,509,384	\$ 426,603	\$ 395,334	\$ 821,937	\$ 2,331,321
Research grants	1,265,615	-	-	-	1,265,615
Direct aid to families	436,027	-	-	-	436,027
Scholarship awards	89,750	-	-	-	89,750
Awards and honorariums	2,386	-	288	288	2,674
Conferences	85,254	-	-	-	85,254
Services	112,133	19,177	14,951	34,128	146,261
Office expenses	16,947	16,904	1,769	18,673	35,620
Equipment rental	5,198	1,522	2,887	4,409	9,607
Video	3,094	-	700	700	3,794
Advertising	16,542	577	1,590	2,167	18,709
Repairs and maintenance	235	6,562	-	6,562	6,797
Rent and utilities	157,095	35,303	41,107	76,410	233,505
Telephone	19,998	7,447	5,127	12,574	32,572
Auto expense	52,993	2,429	6,617	9,046	62,039
Travel	246,677	14,563	20,824	35,387	282,064
Supplies	788	-	-	-	788
Training	1,225	1,775	87	1,862	3,087
Professional fees	36,905	26,622	3,779	30,401	67,306
Insurance	23,301	9,283	3,971	13,254	36,555
Printing and postage	104,942	5,640	60,866	66,506	171,448
Fees and licenses	30,900	55,608	27,430	83,038	113,938
IT services	218	25,144	-	25,144	25,362
Depreciation	40,748	10,655	11,284	21,939	62,687
Other	5,168	42,846	49,782	92,628	97,796
Total expenses before direct benefits to donors	<u>4,263,523</u>	<u>708,660</u>	<u>648,393</u>	<u>1,357,053</u>	<u>5,620,576</u>
Direct benefits to donors	-	-	-	-	848,680
Total expenses	<u><u>\$ 4,263,523</u></u>	<u><u>\$ 708,660</u></u>	<u><u>\$ 648,393</u></u>	<u><u>\$ 1,357,053</u></u>	<u><u>\$ 6,469,256</u></u>

See accompanying notes.

2015

Program	Management and General	Fundraising	Total Supporting Services	Total
\$ 1,637,866	\$ 443,279	\$ 440,075	\$ 883,354	\$ 2,521,220
1,265,785	-	-	-	1,265,785
423,576	-	-	-	423,576
121,750	-	-	-	121,750
2,737	25	1,598	1,623	4,360
150,297	610	-	610	150,907
130,222	25,983	16,861	42,844	173,066
11,761	19,573	5,175	24,748	36,509
1,747	2,547	500	3,047	4,794
8,172	-	962	962	9,134
11,798	6,980	806	7,786	19,584
255	5,295	100	5,395	5,650
152,696	23,439	48,597	72,036	224,732
20,092	7,806	4,574	12,380	32,472
66,856	4,309	10,147	14,456	81,312
264,555	34,486	20,359	54,845	319,400
2,054	9	-	9	2,063
1,057	8,293	290	8,583	9,640
79,801	43,031	-	43,031	122,832
15,859	18,621	2,989	21,610	37,469
175,045	5,169	59,874	65,043	240,088
63,360	58,614	46,514	105,128	168,488
15	22,950	20	22,970	22,985
40,695	10,641	11,269	21,910	62,605
2,720	60,125	47,185	107,310	110,030
4,650,771	801,785	717,895	1,519,680	6,170,451
-	-	-	-	965,670
<u>\$ 4,650,771</u>	<u>\$ 801,785</u>	<u>\$ 717,895</u>	<u>\$ 1,519,680</u>	<u>\$ 7,136,121</u>

See accompanying notes.

Pediatric Brain Tumor Foundation of the United States, Inc.
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (32,793)	\$ (1,383,477)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	62,687	62,605
Net realized and unrealized (gains) losses on investments	(41,416)	87,889
Changes in assets and liabilities:		
Accounts receivable	(13,513)	(116,155)
Contributions receivable	3,005	11,236
Other assets	398	(5,222)
Accounts payable and accrued expenses	(45,235)	(88,808)
Grants payable	(188,662)	(448,044)
Net cash used by operating activities	<u>(255,529)</u>	<u>(1,879,976)</u>
Cash flows from investing activities:		
Purchases of investments	(61,840)	(89,632)
Sales of investments	275,000	2,199,181
Purchase of property and equipment	(26,436)	(1,944)
Net cash provided by investing activities	<u>186,724</u>	<u>2,107,605</u>
Net increase (decrease) in cash and cash equivalents	<u>(68,805)</u>	<u>227,629</u>
Cash and cash equivalents, beginning of year	<u>509,535</u>	<u>281,906</u>
Cash and cash equivalents, end of year	<u>\$ 440,730</u>	<u>\$ 509,535</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 pediatric brain tumor research, increasing public awareness about the disease of pediatric brain tumors, and providing financial, 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. Grants are provided to sponsor medical symposiums in the United States and internationally. The Foundation also provides grants designed to attract new researchers in the field of study.

With a special interest in promoting partnerships and collaborations in science, the Foundation has provided innovative funding, such as for the operations center of the Pacific Pediatric Neuro-Oncology Consortium (PNO) Clinical Trials housed at the University of California, San Francisco, in which fifteen of the leading pediatric brain tumor institutions participate.

The Foundation provides support to patients and their families through educational resources in a variety of medias: on its website, such as an online video learning series; through a new toolkit for newly diagnosed families, which provides disease information and a place for families to store and organize their child’s medical records, appointments, healthcare providers, scans, etc.; and through educational conferences in major cities across the country. The Foundation also provides emergency financial assistance to families in twelve states and college scholarships for survivors throughout the nation. New programs include bereavement support, peer support and family camps.

In 2014, the Foundation acquired the assets of 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.

In 2016, the Foundation acquired the assets of Vs. Cancer, Inc., a nonprofit organization based in Raleigh, NC, which recruited sports teams to raise funds for childhood cancer research and hospital support programs. Also in 2016, the Foundation acquired the assets of We Can Pediatric Brain Tumor Network, a Los Angeles, California based nonprofit that provided information and emotional support for families of children with brain tumors. The Foundation has continued supporting the programs of these organizations, as agreed upon in related asset purchase agreements.

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

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

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.

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 \$458,680 and \$573,480 are included in the 2016 and 2015 statements of activities, respectively.

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

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 \$16,000 and \$18,000 of joint costs for the years ended December 31, 2016 and 2015, respectively, which are not specifically attributable to particular components of the campaign. For the years ended December 31, 2016 and 2015, the Foundation allocated \$-0- and \$8,966, respectively, to program expense, and allocated another \$8,195 and \$8,966, 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and amounts on deposit in financial institutions with original maturities of three months or less.

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.

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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, 2016.

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.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Reclassification did not impact change in net assets or the net asset balance.

2. 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, 2016 and 2015, cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Cash	\$ 317,343	\$ 382,431
Restricted cash	<u>123,387</u>	<u>127,104</u>
Total	<u>\$ 440,730</u>	<u>\$ 509,535</u>

3. 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, 2016 and 2015, to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

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

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, 2016 and 2015. 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, 2016 and 2015 consist of the following:

Assets at Fair Value as of December 31, 2016				
	(Level 1)	(Level 2)	(Level 3)	Fair Value
Money market funds	\$ 59,623	\$ -	\$ -	\$ 59,623
Mutual funds and ETFs:				
Bond funds	1,436,828	-	-	1,436,828
Common stocks	994	-	-	994
Corporate bonds and government securities	-	312,137	-	312,137
	<u>\$ 1,497,445</u>	<u>\$ 312,137</u>	<u>\$ -</u>	<u>\$ 1,809,582</u>
Assets at Fair Value as of December 31, 2015				
	(Level 1)	(Level 2)	(Level 3)	Fair Value
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	-	632,832	-	632,832
	<u>\$ 1,347,188</u>	<u>\$ 632,832</u>	<u>\$ -</u>	<u>\$ 1,980,020</u>

The Foundation has \$283 and \$1,589 of cash and cash equivalents held in investment accounts as of December 31, 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015 are as follows:

	2016	2015
Interest and dividend income, net of investment cost	\$ 47,478	\$ 89,632
Net realized gains	29,973	149,144
Net unrealized gains (losses)	<u>11,443</u>	<u>(237,033)</u>
	<u>\$ 88,894</u>	<u>\$ 1,743</u>

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

4. Property and Equipment

At December 31, 2016 and 2015, property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 175,443	\$ 167,546
Furniture	133,160	132,645
Telephone system	33,095	33,095
Leasehold improvements	99,345	99,345
Other office equipment	<u>334,510</u>	<u>316,484</u>
	775,553	749,115
Less accumulated depreciation	<u>(646,134)</u>	<u>(583,445)</u>
Property and equipment, net	<u>\$ 129,419</u>	<u>\$ 165,670</u>

5. Grants Payable

Grants payable at December 31, 2016 and 2015, include the following:

	<u>2016</u>	<u>2015</u>
Pediatric Brain Tumor Foundation Research Institute grants	\$ 321,529	\$ 494,185
Early Career Development and Opportunity Grants	475,000	624,436
Vs. Cancer grants	<u>133,430</u>	<u>-</u>
Grants Payable	<u>\$ 929,959</u>	<u>\$ 1,118,621</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Subsequent year Ride for Kids®	<u>\$ 123,387</u>	<u>\$ 127,104</u>

7. 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.

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

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

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.

8. Net Assets Released from Restrictions

Net assets released from restrictions for the years ended December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Ride for Kids® contributions and sponsorships	<u>\$ 127,104</u>	<u>\$ 102,250</u>

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Notes to the Financial Statements

9. Commitments

Operating lease

The Foundation has an operating lease agreement for the rental of office space in Asheville, North Carolina; Atlanta, Georgia; and Raleigh, North Carolina. Rent expense for the year totaled \$220,711. 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. The agreement for the Raleigh space expires in October in October 2019. Annual future minimum payments are as follows for the years ending December 31,

2017	\$	194,339
2018		199,250
2019		202,216
2020		181,864
2021		165,035
2022		<u>41,516</u>
	\$	<u>984,220</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 \$321,529 have been included in grants payable at December 31, 2016. 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.

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 \$475,000 have been included in grants payable at December 31, 2016 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.

Also included in grants payable at December 31, 2016 is approximately \$133,000 in Vs. Cancer grants.

10. 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 \$45,984 and \$51,582 for the years ended December 31, 2016 and 2015, respectively.

11. Related Party Transactions

During 2016 and 2015, approximately \$46,000 and \$99,000, 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.

12. 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.

13. Subsequent Events

Subsequent events have been evaluated through April 14, 2017, which is the date the financial statements were available to be issued.