

ST. BALDRICK'S FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee
ST. BALDRICK'S FOUNDATION
Monrovia, California

We have audited the accompanying statements of financial position of St. Baldrick's Foundation (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 (the "U.S."). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Baldrick's Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the U.S.

RBZ, LLP

October 4, 2012

ST. BALDRICK'S FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
Cash and Cash Equivalents	\$ 20,231,806	\$ 14,378,130
Investments	15,039,830	14,994,600
Prepaid and Other Current Assets	260,717	167,901
Intangible Assets	674,331	424,206
Property and Equipment, net	42,489	66,368
Security Deposits	20,520	20,520
	\$ 36,269,693	\$ 30,051,725

LIABILITIES AND NET ASSETS

	2012	2011
Liabilities		
Grants payable	\$ 24,860,315	\$ 20,767,528
Accounts payable and accrued expenses	249,760	194,876
Other liabilities	421,861	310,721
Total Liabilities	25,531,936	21,273,125
Commitment (Note 7)		
Unrestricted Net Assets	10,737,757	8,778,600
	\$ 36,269,693	\$ 30,051,725

See accompanying notes to financial statements.

ST. BALDRICK'S FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue, Gains and Support		
Contributions	\$ 32,871,594	\$ 26,987,534
Contributed services and assets	460,775	362,305
Interest and dividend income	475,049	63,606
Realized losses on investments	(250,577)	-
Unrealized losses on investments	(113,348)	(3,119)
Sales of goods, net	<u>48,672</u>	<u>1,100</u>
	<u>33,492,165</u>	<u>27,411,426</u>
Functional Expenses		
Childhood cancer research	25,732,385	22,480,504
Management and general	776,393	654,270
Fundraising	<u>5,024,230</u>	<u>4,373,660</u>
	<u>31,533,008</u>	<u>27,508,434</u>
Changes in Unrestricted Net Assets	1,959,157	(97,008)
Unrestricted Net Assets, Beginning of Year	<u>8,778,600</u>	<u>8,875,608</u>
Unrestricted Net Assets, End of Year	<u>\$ 10,737,757</u>	<u>\$ 8,778,600</u>

See accompanying notes to financial statements.

ST. BALDRICK'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Childhood Cancer Research	Management and General	Fundraising	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Grants	\$ 24,549,529	\$ -	\$ -	\$ 24,549,529
Salaries and Benefits	483,848	481,408	1,958,733	2,923,989
Marketing and Publicity	-	48	831,143	831,191
Donation Processing and Bank Fees	10,753	2,395	596,993	610,141
Postage and Shipping	1,882	1,667	402,278	405,827
Occupancy	24,344	24,479	191,382	240,205
Other Operating Costs	44,597	29,974	238,036	312,607
Professional Fees and Consultants	376,474	75,380	13,731	465,585
Technology and Information Systems	126,375	63,009	320,069	509,453
Meetings, Conventions and Travel	35,619	22,884	83,625	142,128
Depreciation and Amortization	78,964	50,136	388,240	517,340
Investment Fees	<u>-</u>	<u>25,013</u>	<u>-</u>	<u>25,013</u>
	<u>\$ 25,732,385</u>	<u>\$ 776,393</u>	<u>\$ 5,024,230</u>	<u>\$ 31,533,008</u>

See accompanying notes to financial statements.

ST. BALDRICK'S FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Childhood Cancer Research	Management and General	Fundraising	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Grants	\$ 21,540,036	\$ -	\$ -	\$ 21,540,036
Salaries and Benefits	350,087	417,046	1,680,520	2,447,653
Marketing and Publicity	3,906	6,659	664,748	675,313
Donation Processing and Bank Fees	1,563	3,380	543,933	548,876
Postage and Shipping	1,520	1,791	336,890	340,201
Occupancy	9,314	29,734	179,299	218,347
Other Operating costs	25,054	33,676	223,660	282,390
Professional Fees and Consultants	392,281	28,652	18,646	439,579
Technology and Information Systems	85,431	35,818	235,587	356,836
Meetings, Conventions and Travel	20,275	24,724	40,669	85,668
Depreciation and Amortization	<u>51,037</u>	<u>72,790</u>	<u>449,708</u>	<u>573,535</u>
	<u>\$ 22,480,504</u>	<u>\$ 654,270</u>	<u>\$ 4,373,660</u>	<u>\$ 27,508,434</u>

See accompanying notes to financial statements.

ST. BALDRICK'S FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,959,157	\$ (97,008)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	517,340	573,535
Realized gains/losses on investments	250,577	-
Unrealized gains/losses on investments	113,348	3,119
(Increase) decrease in operating assets		
Prepaid expenses and other current assets	(92,816)	(134,503)
Security deposits	-	9,988
Increase (decrease) in operating liabilities		
Grants payable	4,092,787	6,013,219
Accounts payable and accrued expenses	54,884	(580)
Other current liabilities	<u>111,140</u>	<u>310,721</u>
Net Cash Provided by Operating Activities	<u>7,006,417</u>	<u>6,678,491</u>
Cash Flows from Investing Activities		
Purchases of investments	(18,352,261)	(15,000,000)
Sales of investments	10,626,149	-
Reinvestment of interest and dividend income	(409,155)	-
Net cash activity within investment accounts	7,726,112	2,281
Purchases of property and equipment	(15,777)	(53,151)
Website development costs	<u>(727,809)</u>	<u>(356,463)</u>
Net Cash Used in Investing Activities	<u>(1,152,741)</u>	<u>(15,407,333)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,853,676	(8,728,842)
Cash and Cash Equivalents, Beginning of Year	<u>14,378,130</u>	<u>23,106,972</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,231,806</u>	<u>\$ 14,378,130</u>

See accompanying notes to financial statements.

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 - NATURE OF OPERATIONS

St. Baldrick's Foundation (the "Foundation") is a private nonprofit entity organized under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Foundation was formed in 2004 and engages in charitable fundraising to support further research to help fight childhood cancer through awareness activities and fundraising events, including having volunteers shave their heads in return for donations. The charitable funds raised are donated to childhood cancer research institutions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Internal Revenue Service has determined that the Foundation is an organization exempt from federal income tax under Section 501(c)(3) of the IRC. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation's federal income tax and informational returns for tax years 2008 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Foundation's most significant state tax jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years 2007 and subsequent.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Risk

The Foundation's bank balances exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Foundation has not experienced and does not anticipate any losses related to these balances.

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserves

The Foundation's policy is that it will not maintain reserves in excess of one year's projected operating expenses. All funds in excess of the budget will be granted to worthy beneficiaries. Accordingly, the Foundation's cash on hand includes the amounts obligated to be paid to grant beneficiaries and the Foundation's estimate of one year of operating expenses.

Investments

Investments are monitored by the Board of Directors' finance committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

The Foundation's Board of Directors (the "Board") has adopted an investment policy whereas all investments will be made through low-risk investments, invested with the view towards preservation of capital, with terms no longer than two years, and will be made only through the permissible asset mix as defined in the policy.

ASC Topic *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. Under this topic, the Foundation must report its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Video and Website Development Costs

The Foundation recognizes the costs incurred in the development of the Foundation's website in accordance with ASC Topic *Intangibles-Goodwill and Other*. Accordingly, direct costs incurred during the application stage of development are capitalized and amortized over the estimated useful life, which is 36 months. Fees for website hosting and costs of operating the website are expensed as incurred.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment are being depreciated using the straight-line method over estimated lives of five to seven years.

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. The review of recoverability is based on management's estimate of the undiscounted future cash flows that are expected to result from the asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment provisions were recorded by the Foundation during the years ended June 30, 2012 or 2011.

Grants

The Foundation records appropriations for grants as a liability and expense after approval by the Board. Research grants and supportive care research grants are funded for a period of one year. Fellowships are funded for one to two years, and may be subject to up to three additional year's renewal at the discretion of the board, based on progress. Scholar awards are funded for three years, and may be subject to two additional years' renewal at the discretion of the board, based on progress. Consortium grants are awarded for specific time periods at the discretion of the board, subject to renewal at the discretion of the board, based on progress and availability of funds.

Unrestricted Net Assets

Limits on net assets are broad limits resulting from the nature of the Foundation and the purposes specified in its articles of incorporation or bylaws and therefore are classified as unrestricted.

Contributions

Contributions are recognized as revenue in the period received. The Foundation reports gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets. No gifts of cash or other assets have been received with donor stipulations.

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Assets

Contributed services are reported at the estimated fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills, and (3) are services which would typically be purchased if not provided by donation. The Foundation recorded contributed services revenue and a related expense for the years ended June 30, 2012 and 2011 of \$253,406 and \$253,074, respectively, primarily relating to public relations, advertising and attorney services.

Contributed assets consist of items for auction or raffle and donated furniture and other items for operations which are recorded at fair value at the date of the gift, as contributed asset revenue. The Foundation recorded contributed assets for the years ended June 30, 2012 and 2011 of \$207,369 and \$109,231, respectively.

Volunteers

A number of volunteers, including members of the Board, have made significant contributions of time to the Foundation's policymaking, program, fundraising and support functions. In particular, the Foundation's grant applications are reviewed by a team of over 110 medical doctors and researchers who contributed approximately 575 hours. The value of this contributed time does not meet the criteria for recognition of contributed services as detailed above and, therefore, is not reflected in the accompanying statements of activities.

Functional Allocation of Expenses

Expenses that can be directly identified with a program or the supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management to be reasonable.

Subsequent Events

The Foundation has evaluated events subsequent to June 30, 2012, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 4, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain 2011 balances have been reclassified in order to conform to the 2012 presentation.

NOTE 3 - INVESTMENTS

The Foundation has established an investment account with \$15 million from its unrestricted assets. The Foundation's investment policy allows for investments in equities which are components of the Standard & Poor's 500 or Dow Jones Industrial Average, fixed-income securities rated A or higher, certificates of deposit and bankruptcy-remote money market funds.

As of June 30, 2012 and 2011, the investment portfolio included cash and cash equivalents and fixed-income securities. The fair value of the fixed-income securities is based upon significant observable inputs (Level 2 in the fair value hierarchy).

Investments consist of the following:

	2012	2011
Cash and cash equivalents	\$ 7,138,396	\$ 14,489,600
Fixed income securities	7,901,434	505,000
	\$ 15,039,830	\$ 14,994,600

Activity in the investments during the year was as follows:

	2012	2011
Balance, beginning of year	\$ 14,994,600	\$ -
Purchases of investments	18,352,261	15,000,000
Sales of investments	(10,626,149)	-
Net cash activity	(7,726,112)	(2,281)
Interest and dividend income reinvested	409,155	-
Realized gains/losses	(250,577)	-
Unrealized gains/losses	(113,348)	(3,119)
Balance, end of year	\$ 15,039,830	\$ 14,994,600

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 - VIDEO AND WEBSITE DEVELOPMENT COSTS

Video and website development costs are summarized as follows:

	2012	2011
Website development	\$ 2,514,574	\$ 1,786,765
Video production	30,182	30,182
	2,544,756	1,816,947
Accumulated amortization	(1,870,425)	(1,392,741)
	\$ 674,331	\$ 424,206

Amortization expense for the years ended June 30, 2012 and 2011 was \$477,684 and \$536,890, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2012	2011
Equipment	\$ 120,448	\$ 107,061
Furniture and fixtures	88,143	85,753
	208,591	192,814
Accumulated depreciation	(166,102)	(126,446)
	\$ 42,489	\$ 66,368

Depreciation expense for the years ended June 30, 2012 and 2011 was \$39,656 and \$36,645, respectively.

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 6 - GRANTS PAYABLE

At June 30, 2012 and 2011, the Foundation has committed to continuing fellowship, research and scholar grants aggregating \$24,860,315 and \$20,767,528, respectively, that are scheduled to be disbursed through June 30, 2017. The continuing fellowship, research and scholar grants are subject to discretionary renewal. The promise to give is accompanied by the condition the research performed relates to the proposed project for which the funds were granted, to finding a cure for childhood cancer. The grant recipient provides appropriate and timely grant reports and complies with Foundation policies regarding the use of funds. Management estimates the likelihood of the recipients not meeting these conditions as remote and, therefore, these grants meet the criteria for recognition of a payable contained in ASC Topic *Not-for-Profit Entities, Contributions Made* and, accordingly, have been included in the accompanying financial statements.

Promises to give that are expected to be paid within one year are recorded at net realizable value. Promises to give that are expected to be paid in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using money market interest rates applicable to the years in which the promises are made. For the year ended June 30, 2012, the interest rate applied was .4%. Amortization of the discount is included in grant expense.

Future minimum payments on research grant commitments are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 17,242,844
2014	5,093,458
2015	1,882,438
2016	373,585
2017	<u>339,763</u>
	24,932,088
Present value discount	<u>(71,773)</u>
	<u>\$ 24,860,315</u>

ST. BALDRICK'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 7 - COMMITMENT

At June 30, 2012, the Foundation was obligated under a noncancelable operating lease for office space expiring December 1, 2018. In addition, the Foundation is responsible for its applicable share of the landlord's direct expenses over the terms of the lease.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 309,822
2014	339,389
2015	349,570
2016	360,055
2017	370,857
Thereafter	<u>415,174</u>
	<u>\$ 2,144,867</u>