

**St. Baldrick's Foundation**

**Financial Statements**

**June 30, 2016 and 2015**

**armanino** 

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## INDEPENDENT AUDITORS' REPORT

To the Audit Committee  
St. Baldrick's Foundation  
Monrovia, California

We have audited the accompanying financial statements of St. Baldrick's Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 ("U.S. GAAP"); 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S ("U.S. GAAS"). 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 auditors consider 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.

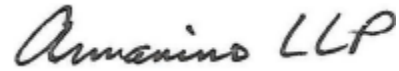
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Baldrick's Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. GAAP.

**Correction of Error**

As discussed in Note 9 to the financial statements, certain errors resulting in amounts previously reported for grants payable and grant expense as of June 30, 2015, were discovered by management during the current fiscal year. Accordingly, amounts reported for grants payable and grant expense have been restated in the June 30, 2015 financial statements now presented, and an adjustment has been made to unrestricted net assets as of June 30, 2015, to correct the error. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino LLP  
Los Angeles, California

December 6, 2016

**St. Baldrick's Foundation**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

ASSETS

	2016	2015
Cash and cash equivalents	\$ 1,825,504	\$ 364,062
Pledges receivable	804,342	555,250
Investments	45,855,781	51,332,382
Prepaid expenses and other current assets	125,622	43,059
Website and software development costs, net	1,836,345	1,994,476
Property and equipment, net	54,068	68,129
Security deposits	20,520	20,520
Total assets	\$ 50,522,182	\$ 54,377,878

LIABILITIES AND NET ASSETS

	2016	2015
Liabilities		
Grants payable	\$ 30,935,418	\$ 35,227,237
Accounts payable and accrued expenses	619,720	506,129
Other liabilities	258,803	120,557
Total liabilities	31,813,941	35,853,923
Commitment		
Net assets		
Unrestricted		
General	17,784,983	17,163,439
Dr. Robert J. Arceci Innovation Award	55,266	805,266
Unrestricted	17,840,249	17,968,705
Temporarily restricted	867,992	555,250
Total net assets	18,708,241	18,523,955
	\$ 50,522,182	\$ 54,377,878

See accompanying notes to financial statements.

**St. Baldrick's Foundation**

**Statements of Activities**

**For the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains (losses) and support			
Contributions	\$ 37,407,309	\$ 771,492	\$ 38,178,801
Contributed services and assets	996,117	-	996,117
Interest and dividend income	753,777	-	753,777
Realized losses on investments	(48,352)	-	(48,352)
Unrealized losses on investments	(330,699)	-	(330,699)
Net assets released from restriction	<u>458,750</u>	<u>(458,750)</u>	<u>-</u>
 Total revenues, gains (losses) and support	 <u>39,236,902</u>	 <u>312,742</u>	 <u>39,549,644</u>
Functional expenses			
Childhood cancer research	27,521,436	-	27,521,436
Management and general	1,389,648	-	1,389,648
Fundraising	<u>10,352,114</u>	<u>-</u>	<u>10,352,114</u>
 Total functional expenses	 <u>39,263,198</u>	 <u>-</u>	 <u>39,263,198</u>
 Change in net assets before loss	 <u>(26,296)</u>	 <u>312,742</u>	 <u>286,446</u>
Loss on pledges receivable	<u>(102,160)</u>	<u>-</u>	<u>(102,160)</u>
 Changes in net assets	 (128,456)	312,742	184,286
 Net assets, beginning of year, as restated	 <u>17,968,705</u>	 <u>555,250</u>	 <u>18,523,955</u>
 Net assets, end of year	 <u>\$ 17,840,249</u>	 <u>\$ 867,992</u>	 <u>\$ 18,708,241</u>

See accompanying notes to financial statements.

**St. Baldrick's Foundation**

**Statements of Activities**

**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains (losses) and support			
Contributions	\$ 35,483,702	\$ 555,250	\$ 36,038,952
Contributed services and assets	560,530	-	560,530
Interest and dividend income	609,088	-	609,088
Realized gains on investments	43,520	-	43,520
Unrealized losses on investments	(326,812)	-	(326,812)
Sales of goods, net	(9,390)	-	(9,390)
Net Assets Released from Restriction	<u>92,500</u>	<u>(92,500)</u>	<u>-</u>
Total revenues, gains (losses) and support	<u>36,453,138</u>	<u>462,750</u>	<u>36,915,888</u>
Functional expenses			
Childhood cancer research	24,522,582	-	24,522,582
Management and general	1,520,673	-	1,520,673
Fundraising	<u>7,483,002</u>	<u>-</u>	<u>7,483,002</u>
Total functional expenses	<u>33,526,257</u>	<u>-</u>	<u>33,526,257</u>
Change in net assets, as restated	2,926,881	462,750	3,389,631
Net Assets, beginning of year	<u>15,041,824</u>	<u>92,500</u>	<u>15,134,324</u>
Net Assets, end of year, as restated	<u>\$ 17,968,705</u>	<u>\$ 555,250</u>	<u>\$ 18,523,955</u>

See accompanying notes to financial statements.

**St. Baldrick's Foundation**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2016**

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 24,373,645	\$ -	\$ -	\$ 24,373,645
Salaries and benefits	1,320,532	725,211	2,875,380	4,921,123
Marketing and publicity	480,124	19,298	1,707,389	2,206,811
Event promotion costs	-	-	1,377,397	1,377,397
Donation processing and bank fees	-	13,801	816,548	830,349
Printing costs	18,764	4,691	70,366	93,821
Occupancy	157,954	81,384	334,968	574,306
Other operating costs	89,512	59,833	135,754	285,099
Professional fees and consultants	519,071	262,861	326,512	1,108,444
Technology and information systems	268,541	80,524	1,405,506	1,754,571
Meetings, conventions and travel	83,245	24,434	182,035	289,714
Depreciation and amortization	210,048	70,016	1,120,259	1,400,323
Investment Fees	-	47,595	-	47,595
	<u>\$ 27,521,436</u>	<u>\$ 1,389,648</u>	<u>\$ 10,352,114</u>	<u>\$ 39,263,198</u>

See accompanying notes to financial statements.



**St. Baldrick's Foundation**

**Statement of Functional Expenses**

**For the Year Ended June 30, 2015**

	Childhood Cancer Research and <u>Advocacy</u>	Management and General <u>                    </u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 21,966,150	\$ -	\$ -	\$ 21,966,150
Salaries and benefits	1,144,721	728,200	2,739,623	4,612,544
Marketing and publicity	79,261	39,630	277,411	396,302
Event promotion costs	-	-	1,412,236	1,412,236
Donation processing and bank fees	-	6,369	762,044	768,413
Printing costs	23,918	11,959	83,715	119,592
Occupancy	90,274	84,632	389,307	564,213
Other operating costs	77,823	52,924	140,498	271,245
Professional fees and consultants	357,349	99,049	205,855	662,253
Technology and information systems	295,249	181,482	483,118	959,849
Meetings, conventions and travel	82,671	33,073	69,780	185,524
Depreciation and amortization	405,166	233,750	919,415	1,558,331
Investment fees	<u>-</u>	<u>49,605</u>	<u>-</u>	<u>49,605</u>
	<u>\$ 24,522,582</u>	<u>\$ 1,520,673</u>	<u>\$ 7,483,002</u>	<u>\$ 33,526,257</u>

See accompanying notes to financial statements.

**St. Baldrick's Foundation**

**Statements of Cash Flows**

**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Changes in net assets	\$ 184,286	\$ 3,389,631
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,400,323	1,558,331
Realized (gains) losses on sales of investments	48,352	(43,520)
Unrealized (gains) losses on investments	330,699	326,812
Investment fees	47,595	49,605
Bad debt	27,160	-
(Increase) decrease in operating assets		
Pledges receivable	(276,252)	(462,750)
Prepaid expenses and other current assets	(82,563)	274,375
Increase (decrease) in operating liabilities		
Grants payable	(4,291,819)	204,049
Accounts payable and accrued expenses	113,591	129,725
Other liabilities	<u>138,246</u>	<u>(177,249)</u>
Net cash provided by (used in) operating activities	<u>(2,360,382)</u>	<u>5,249,009</u>
Cash flows from investing activities		
Purchases of investments	(7,103,781)	(8,581,188)
Sales of investments	1,418,148	868,279
Maturities of fixed income investments	6,536,000	2,746,000
Reinvestment of interest and dividend income	(753,777)	(607,005)
Net cash and cash equivalent activity within investment accounts	4,953,365	2,541,909
Purchases of property and equipment	(13,473)	(49,929)
Website development costs	<u>(1,214,658)</u>	<u>(1,951,050)</u>
Net cash provided by (used in) investing activities	<u>3,821,824</u>	<u>(5,032,984)</u>
Net increase in cash and cash equivalents	1,461,442	216,025
Cash and cash equivalents, beginning of year	<u>364,062</u>	<u>148,037</u>
Cash and cash equivalents, end of year	<u>\$ 1,825,504</u>	<u>\$ 364,062</u>

See accompanying notes to financial statements.

## **ST. BALDRICK'S FOUNDATION**

### **Notes to Financial Statements**

#### **For the Years ended June 30, 2016 and 2015**

##### NOTE 1 - NATURE OF OPERATIONS

St. Baldrick's Foundation (the "Foundation"), a nonprofit entity, was established in 2004 with the ultimate goal of finding cures for childhood cancers and giving survivors long and healthy lives. Volunteers raise funds which are granted for life-saving research, family support activities and advocacy efforts to raise awareness of the challenges facing child cancer treatments and cures.

The Foundation's signature fundraising event is headshaving, where volunteers, in acts of solidarity, show support for children with cancer. While raising funds, this life-changing activity brings volunteers to the Foundation, engages them in its mission and raises awareness of the many challenges faced by the children, their families, and the doctors and researchers in this community.

The Foundation provides support to families of newly-diagnosed children, teens, and young adults through its partnership with, and major funding of, the Children's Oncology Group (the "COG"). The COG is the largest group to provide clinical trials to patients and provides a handbook to assist the patients and families in navigating through support, healthcare and quality of life issues.

The Foundation's advocacy efforts ensure that the government and public continue to be aware and involved with the issues surrounding pediatric oncology. Speak Up for Kids' Cancer ("Speak Up") is the advocacy action network of the Foundation. Speak Up gives a voice to the vast network of volunteers, donors, and participants involved in the work of the Foundation, the largest private funder of childhood cancer research grants, second only to the U.S. government.

The Foundation's signature and priority program is funding the highest quality childhood cancer research grants. Funding decisions, informed by a scientific review process, are more rigorous than most charity funders and involve 200 pediatric cancer experts. Outcomes of research are also closely monitored by experts who review annual progress reports and other measures of success.

The goal of this research is to find new treatments and cures for childhood cancers, to reduce toxic side effects of treatment for patients, and to reduce the long-term effects of treatment – some life-threatening – with which the vast majority of childhood cancer survivors must cope.

# ST. BALDRICK'S FOUNDATION

## Notes to Financial Statements

For the Years ended June 30, 2016 and 2015

### 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 2012 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 2011 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, except those which have been classified as investments.

#### Concentration of Risk

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

#### Reserves

The Foundation's policy is to fully reserve for grants awarded at the time the grant commitment is made. This policy provides the financial commitment to its researchers that these vital research projects can be completed without regard to future unforeseen events.

As of June 30, 2016 and 2015, the reserve for outstanding grants awarded was \$30,935,418 and \$35,227,237.

## ST. BALDRICK'S FOUNDATION

### Notes to Financial Statements

#### For the Years ended June 30, 2016 and 2015

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Investments

Investments are monitored by the Board of Directors' finance and investment 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 three 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).

##### Website and Software Development Costs

The Foundation recognizes the costs incurred in the development of the Foundation's custom website, which includes the public website, the member's management portal, St. Baldrick's staff's management tool, and proprietary contribution and event software 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 or less. 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 three to seven years.

##### 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. No impairment provisions were recorded by the Foundation during the years ended June 30, 2016 or 2015.

## ST. BALDRICK'S FOUNDATION

### Notes to Financial Statements

For the Years ended June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Grants

The Foundation's priority is to fund research that will result in new treatments and cures for childhood cancers of all types, while giving survivors long and healthy futures free of what are often life-threatening late effects.

The highest quality research projects can require a commitment of up to five years of funding. The Foundation records appropriations for grants as a liability and expense after approval by the Board, based upon a professional review system (see "Nature of Operations" note above).

Each grant type addresses a vital need in childhood cancer research:

**Fellowships** (funded for 2-3 years) fund the training of new medical doctors to specialize in pediatric cancer research. During these years, the Fellow engages in a specific research project under the guidance of a mentor.

**Summer Fellowships** cover a small stipend for medical school students to spend a summer conducting research under expert guidance in a pediatric oncology research laboratory. While accomplishing meaningful work, these young people may also be inspired to choose pediatric cancer research as their specialty.

**Scholar Awards** (funded for 3-5 years) are for early career pediatric oncology researchers conducting specific research projects. These younger professionals might otherwise be unable to pursue their new ideas, as they must compete with more established experts for extremely scarce funding.

**Research grants** are for 1-year projects to find new and better cures.

**Supportive care research grants** are for 1-year projects, often conducted by research nurses, for research to improve patient care, symptom management, psychosocial care, compliance with therapy, survivorship issues, and more.

**Consortium grants** (funded for 1-5 years) are awarded to groups of researchers from multiple institutions who are collaborating on research projects with great promise.

**Cooperative research** funding is granted to the COG, with funds distributed to its more than 200 member institutions to support clinical trials, thereby funding virtually every institution qualified to treat childhood cancers.

## ST. BALDRICK'S FOUNDATION

### Notes to Financial Statements

#### For the Years ended June 30, 2016 and 2015

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Grants (Continued)

**The Stand Up To Cancer** – St. Baldrick's Pediatric Cancer Dream Team is an unprecedented grant (now in the 4th of an anticipated 4 years, co-funded by SU2C), focused on curing the most difficult-to-cure childhood cancers by bringing together the fields of immunotherapy and genomics.

**International Scholar Awards** (funded for 3-5 years) are for researchers from low- to middle-income countries to train in the U.S. or other developed countries, then return to pursue vital research and offer a higher quality of care to patients in their home countries.

**International beneficiary grants** (1 year) are for organizations outside the U.S., supporting research or funds to help patients in these countries where the Foundation has a fundraising presence.

**Infrastructure grants** (1 year) are for resources to make more research possible, often funding a clinical research associate who ensures more clinical trials are open to give patients the option of the highest quality of care without traveling to another institution.

##### 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.

##### Temporarily Restricted Net Assets

Temporarily restricted net assets include contributions that are temporarily restricted by the donor or grantor. When the restriction expires, or is met, the net assets of this classification are reclassified to unrestricted net assets. Restricted contributions, where restrictions are met in the same reporting period, are classified as unrestricted. Of the total balance of temporarily restricted net assets of \$867,992 and \$555,250 was time restricted at June 30, 2016 and 2015. As of June 30, 2016, there were \$36,490 of purpose-restricted net assets.

##### 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.

## ST. BALDRICK'S FOUNDATION

### Notes to Financial Statements

#### For the Years ended June 30, 2016 and 2015

#### 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, 2016 and 2015 of \$889,343 and \$491,178, 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, 2016 and 2015 of \$106,774 and \$69,352, 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, for the years ended June 30, 2016 and 2015, the Foundation's grant applications were reviewed by a team of over 188 and 197 medical doctors and researchers who contributed approximately 1,901 and 2,042 hours, respectively. The number varies based upon the number of grant applications and the specific expertise required to review each. 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.

##### Partnerships with Foreign Organizations

Recognizing that childhood cancer knows no boundaries, the Foundation carefully partners with pediatric cancer nonprofits worldwide in order to ensure that research needs in countries participating in pediatric cancer research are supported or that other needs of pediatric cancer are addressed in countries not participating in research. The Foundation provides support and expertise in fundraising in order to maximize fundraising efforts in the countries that want assistance.



## ST. BALDRICK'S FOUNDATION

### Notes to Financial Statements

#### For the Years ended June 30, 2016 and 2015

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Partnerships with Foreign Organizations (Continued)

In countries where the Foundation's events are held, we partner with vetted and approved foreign organizations to direct funds to the best research available in that country or the next best need if research is not performed in that country. The Foundation's support and partnerships generated approximately \$1,267,737 and \$1,289,615 of contributions for the years ended June 30, 2016 and 2015, respectively. The Foundation partnered with organizations in multiple countries, including Australia, Bermuda, Canada, Germany, Hong Kong, India, Japan, The Netherlands, Singapore and United Kingdom.

##### 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 methods determined by management to be reasonable.

##### Subsequent Events

The Foundation has evaluated events subsequent to June 30, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 6, 2016, 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.

#### NOTE 3 - INVESTMENTS

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, 2016 and 2015, the investment portfolio included cash and cash equivalents (consisting of government and government agency bonds), fixed-income securities and equity mutual funds. The fair value of the fixed-income securities is based upon significant observable inputs (Level 2 in the fair value hierarchy). All other investments are Level 1.

**ST. BALDRICK'S FOUNDATION**

**Notes to Financial Statements**

**For the Years ended June 30, 2016 and 2015**

NOTE 3 - INVESTMENTS (Continued)

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 29,999,637	\$ 34,243,087
Fixed income securities	8,644,094	10,019,244
Equity mutual funds	<u>7,212,050</u>	<u>7,070,051</u>
	<u>\$ 45,855,781</u>	<u>\$ 51,332,382</u>

Activity in the investments during the year was as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 51,332,382	\$ 48,633,274
Purchases of investments	7,103,781	8,581,188
Sales of investments	(1,418,148)	(868,279)
Net cash and cash equivalent activity within investment accounts	(4,953,365)	(2,541,909)
Reinvestment of interest and dividend income	753,777	607,005
Realized gains (losses) on sales of investments	(48,352)	43,520
Unrealized gains (losses) on investments	(330,699)	(326,812)
Investment fees	(47,595)	(49,605)
Maturities of fixed income investments	<u>(6,536,000)</u>	<u>(2,746,000)</u>
Balance, end of year	<u>\$ 45,855,781</u>	<u>\$ 51,332,382</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 29,999,637	\$ -	\$ -	\$ 29,999,637
Fixed income securities	-	8,644,094	-	8,644,094
Equity mutual funds	<u>7,212,050</u>	<u>-</u>	<u>-</u>	<u>7,212,050</u>
	<u>\$ 37,211,687</u>	<u>\$ 8,644,094</u>	<u>\$ -</u>	<u>\$ 45,855,781</u>

**ST. BALDRICK'S FOUNDATION**

**Notes to Financial Statements**

**For the Years ended June 30, 2016 and 2015**

NOTE 3 - INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 34,243,087	\$ -	\$ -	\$ 34,243,087
Fixed income securities	-	10,019,244	-	10,019,244
Equity mutual funds	<u>7,070,051</u>	<u>-</u>	<u>-</u>	<u>7,070,051</u>
	<u>\$ 41,313,138</u>	<u>\$ 10,019,244</u>	<u>\$ -</u>	<u>\$ 51,332,382</u>

NOTE 4 - WEBSITE AND SOFTWARE DEVELOPMENT COSTS

Website and software development costs are summarized as follows:

	<u>2016</u>	<u>2015</u>
Website development	\$ 5,689,844	\$ 4,475,186
Accumulated amortization	<u>(3,853,499)</u>	<u>(2,480,710)</u>
	<u>\$ 1,836,345</u>	<u>\$ 1,994,476</u>

Amortization expense for the years ended June 30, 2016 and 2015 was \$1,372,789 and \$1,003,081, respectively.

**ST. BALDRICK'S FOUNDATION**

**Notes to Financial Statements**

**For the Years ended June 30, 2016 and 2015**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 223,755	\$ 210,282
Furniture and fixtures	<u>12,767</u>	<u>12,767</u>
	236,522	223,049
Accumulated depreciation	<u>(182,454)</u>	<u>(154,920)</u>
	<u>\$ 54,068</u>	<u>\$ 68,129</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$27,534 and \$66,602, respectively.

NOTE 6 - GRANTS PAYABLE

The highest quality research projects often require a commitment of 2 - 5 years of funding. All continuing grant recipients are subject to discretionary renewal, based on the fulfillment of the requirements of performing the childhood cancer research approved through the review process. The grant recipient provides appropriate and timely grant reports and complies with Foundation policies regarding the use of funds.

At June 30, 2016 and 2015, the Foundation has committed to continuing grants for Fellows, Scholars, International Scholars, and Consortia aggregating \$30,935,418 and \$35,227,237, respectively, that are scheduled to be disbursed through June 30, 2018. 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, 2016, the interest rate applied was 0.4%. Amortization of the discount is included in grant expense.

**ST. BALDRICK'S FOUNDATION**

**Notes to Financial Statements**

**For the Years ended June 30, 2016 and 2015**

NOTE 6 - GRANTS PAYABLE (Continued)

For the year ended June 30, 2015, the Foundation's board of directors committed \$805,266 to establish the Dr. Robert J. Arceci Innovation Award. Dr. Arceci served as a member of the board and led the Foundation's Scientific Advisory Committee. On June 8, 2015, the world lost this cancer research pioneer, thought leader and kind, beloved humanitarian suddenly and unexpectedly. The Foundation's board established this award one week later at the June 15, 2015 board meeting, knowing that the best recipients would be identified and named at later date. This award honors Dr. Arceci and reflects his values, which include true innovation, collaboration and development of early- to mid-career scientists.

The Dr. Robert J. Arceci Innovation Award is reflected within designated net assets on the Statements of Financial Position. The funds have provided one award to a U.S. researcher and will provide one to an international researcher to fund innovative childhood cancer research over a multi-year period.

Future minimum payments on research grant commitments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 26,963,407
2018	2,614,696
2019	<u>1,399,897</u>
	30,978,000
Present value discount	<u>(42,582)</u>
	<u>\$ 30,935,418</u>

**ST. BALDRICK'S FOUNDATION**

**Notes to Financial Statements**

**For the Years ended June 30, 2016 and 2015**

NOTE 7 - COMMITMENT

At June 30, 2016, the Foundation was obligated under a noncancelable operating lease for office space expiring December 31, 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>	
2017	\$ 570,586
2018	584,406
2019	<u>196,413</u>
	<u>\$ 1,351,405</u>

Rent expense for the years ending June 30, 2016 and 2015 totaled \$574,306 and \$564,213, respectively.

NOTE 8 - PLEDGES RECEIVABLE

Pledges receivable are scheduled to be paid as follows:

<u>Year Ending June 30,</u>	
2017	\$ 806,502
2018	<u>25,000</u>
	<u>\$ 831,502</u>

Management has determined that a discount on pledges receivable is immaterial.

NOTE 9 - CORRECTION OF AN ERROR

Management determined that the grant expense recorded as of June 30, 2015 was overstated by \$1,163,558. Accordingly, management has adjusted the grant expense for that year, which also resulted in an adjustment to the net assets.

**ST. BALDRICK'S FOUNDATION**

**Notes to Financial Statements**

**For the Years ended June 30, 2016 and 2015**

NOTE 9 - CORRECTION OF AN ERROR (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2015, as originally reported	\$16,805,147	\$ 555,250	\$ -	\$17,360,397
Adjustment to grant expense	<u>1,163,558</u>	<u>-</u>	<u>-</u>	<u>1,163,558</u>
June 30, 2015, as restated	<u>\$17,968,705</u>	<u>\$ 555,250</u>	<u>\$ -</u>	<u>\$18,523,955</u>

The adjustment also impacted the grants payable balance and changes in net assets at June 30, 2015, as follows:

	<u>Grants Payable</u>	<u>Changes in Net Assets</u>
June 30, 2015, as originally reported	\$36,390,795	\$ 2,226,073
Adjustment to grant expense	<u>(1,163,558)</u>	<u>1,163,558</u>
June 30, 2015, as restated	<u>\$35,227,237</u>	<u>\$ 3,389,631</u>