

**St. Baldrick's Foundation**

Financial Statements

June 30, 2017 and 2016



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
St. Baldrick's Foundation  
Monrovia, California

We have audited the accompanying financial statements of St. Baldrick's Foundation (a nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Baldrick's Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Armanino<sup>LLP</sup>  
Los Angeles, California

September 29, 2017

St. Baldrick's Foundation  
 Statements of Financial Position  
 June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,145,973	\$ 1,825,504
Investments	33,630,881	45,855,781
Pledges receivable, net	427,640	804,342
Prepaid expenses and other current assets	207,553	125,622
Website and software development costs, net	1,781,789	1,836,345
Property and equipment, net	74,543	54,068
Security deposits	20,520	20,520
Total assets	\$ 39,288,899	\$ 50,522,182
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable	\$ 23,122,395	\$ 30,935,418
Accounts payable and accrued expenses	602,640	619,720
Other liabilities	168,709	258,803
Total liabilities	23,893,744	31,813,941
Commitments (Notes 7 and 8)		
Net assets		
Unrestricted		
General	14,856,080	17,784,983
Dr. Robert J. Arceci Innovation Award	-	55,266
Total unrestricted	14,856,080	17,840,249
Temporarily restricted	539,075	867,992
Total net assets	15,395,155	18,708,241
Total liabilities and net assets	\$ 39,288,899	\$ 50,522,182

The accompanying notes are an integral part of these financial statements.

St. Baldrick's Foundation  
Statement of Activities  
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains (losses) and support			
Contributions	\$ 37,030,626	\$ 245,611	\$ 37,276,237
Contributed services and assets	834,316	-	834,316
Interest and dividend income	589,295	-	589,295
Net realized and unrealized gains (losses) on investments	433,823	-	433,823
Net assets released from restriction	<u>574,528</u>	<u>(574,528)</u>	<u>-</u>
Total revenues, gains (losses) and support	<u>39,462,588</u>	<u>(328,917)</u>	<u>39,133,671</u>
Functional expenses			
Childhood cancer research and advocacy	30,537,369	-	30,537,369
Management and general	1,402,437	-	1,402,437
Fundraising	<u>10,506,951</u>	<u>-</u>	<u>10,506,951</u>
Total functional expenses	<u>42,446,757</u>	<u>-</u>	<u>42,446,757</u>
Change in net assets	(2,984,169)	(328,917)	(3,313,086)
Net assets, beginning of year	<u>17,840,249</u>	<u>867,992</u>	<u>18,708,241</u>
Net assets, end of year	<u>\$ 14,856,080</u>	<u>\$ 539,075</u>	<u>\$ 15,395,155</u>

The accompanying notes are an integral part of these financial statements.

St. Baldrick's Foundation  
Statement 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
Net realized and unrealized gains (losses) on investments	(379,051)	-	(379,051)
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 and advocacy	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 from operations	(26,296)	312,742	286,446
Loss on pledges receivable	<u>(102,160)</u>	<u>-</u>	<u>(102,160)</u>
Change in net assets	(128,456)	312,742	184,286
Net assets, beginning of year	<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>

The accompanying notes are an integral part of these financial statements.

St. Baldrick's Foundation  
Statement of Functional Expenses  
For the Year Ended June 30, 2017

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 27,292,262	\$ -	\$ -	\$ 27,292,262
Salaries and benefits	1,321,583	860,942	3,254,216	5,436,741
Marketing and publicity	557,004	6,914	1,858,310	2,422,228
Event promotion costs	-	-	1,159,732	1,159,732
Donation processing and bank fees	-	12,853	726,832	739,685
Printing costs	15,789	3,947	59,208	78,944
Occupancy	120,162	76,211	305,013	501,386
Other operating costs	78,031	60,507	150,872	289,410
Professional fees and consultants	507,537	173,705	301,151	982,393
Technology and information systems	283,894	91,451	1,646,136	2,021,481
Meetings, conventions and travel	178,143	12,068	69,669	259,880
Depreciation and amortization	182,964	60,988	975,812	1,219,764
Investment fees	-	42,851	-	42,851
	<u>\$ 30,537,369</u>	<u>\$ 1,402,437</u>	<u>\$ 10,506,951</u>	<u>\$ 42,446,757</u>

The accompanying notes are an integral part of these 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>

The accompanying notes are an integral part of these financial statements.

St. Baldrick's Foundation  
 Statements of Cash Flows  
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (3,313,086)	\$ 184,286
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	1,219,764	1,400,323
Net realized and unrealized (gains) losses on sales of investments	(433,823)	379,051
Investment fees	42,851	47,595
Allowance for doubtful accounts	-	27,160
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(81,931)	(82,563)
Pledges receivable	376,702	(276,252)
Grants payable	(7,813,023)	(4,291,819)
Accounts payable and accrued expenses	(17,080)	113,591
Other liabilities	(90,094)	138,246
Net cash used in operating activities	<u>(10,109,720)</u>	<u>(2,360,382)</u>
Cash flows from investing activities		
Purchases of investments	(2,242,489)	(7,103,781)
Sales of investments	1,896,679	1,418,148
Maturities of fixed income investments	850,000	6,536,000
Reinvestment of interest and dividend income	(589,295)	(753,777)
Net cash and cash equivalent activity within investment accounts	12,700,977	4,953,365
Purchases of property and equipment	(50,421)	(13,473)
Website development costs	(1,135,262)	(1,214,658)
Net cash provided by investing activities	<u>11,430,189</u>	<u>3,821,824</u>
Net increase in cash and cash equivalents	1,320,469	1,461,442
Cash and cash equivalents, beginning of year	<u>1,825,504</u>	<u>364,062</u>
Cash and cash equivalents, end of year	<u>\$ 3,145,973</u>	<u>\$ 1,825,504</u>

The accompanying notes are an integral part of these financial statements.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

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 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 strive to ensure that government policy surrounding pediatric cancer issues support better outcomes for children with cancer and also increase federal funding for children's cancer research.

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 more than 180 pediatric cancer experts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

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 2013 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 2012 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.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and 2016, the reserve for outstanding grants awarded was \$23,122,395 and \$30,935,418.

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 highly liquid investments, invested with the view towards preservation of capital, with a weighted average life 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).

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 five 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, 2017 or 2016.

Grants

Complex 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. The objective is for these students to accomplish meaningful work while also inspiring them 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.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

**Research grants** are for 1-year projects to research new and better treatments, as well as survivorship, for childhood cancers.

**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 large research projects.

**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 in the United States and Canada.

**The St. Baldrick's Robert J. Arceci Innovation Award** (funded for 3 years) is in memory of Dr. Robert J. Arceci. These awards are based on nominations of U.S./Canadian and international early- to mid-career scientists, whose work reflects his values of creativity, collaboration, and impact.

**The Stand Up To Cancer** – St. Baldrick's Pediatric Cancer Dream Team is building on the success of its first four-year term, and will be embarking on a new grant period with the Foundation in late 2017, focused on curing childhood cancers by bringing together the fields of immunotherapy and genomics, and expanding its work to include multiple types of pediatric cancer.

**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 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 options are available for patients to participate in clinical trials.

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.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, \$419,800 and \$831,502 were time restricted at June 30, 2017 and 2016. There were \$119,275 and \$36,490 of purpose-restricted net assets at June 30, 2017 and 2016, respectively.

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.

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, 2017 and 2016 of \$766,257 and \$889,343, respectively, primarily relating to public relations, advertising and attorney services.

Contributed assets consist of items for fund raising events 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, 2017 and 2016 of \$68,059 and \$106,774, 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, 2017 and 2016, the Foundation's grant applications were reviewed by a team of over 181 and 188 medical doctors and researchers who contributed approximately 3,009 and 3,090 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.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

In countries where the Foundation's events are held, the Foundation partners with vetted and approved foreign organizations to direct funds to what the Foundation views as 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 \$1,164,048 and \$1,267,737 of contributions for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, the Foundation partnered with organizations in multiple countries, including Australia, Bermuda, Germany, Hong Kong, India, Japan, The Netherlands, Singapore and the 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, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 29, 2017, 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.

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.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

3. INVESTMENTS (continued)

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 17,850,272	\$ 29,999,637
Fixed income securities	7,687,737	8,644,094
Equity mutual funds	<u>8,092,872</u>	<u>7,212,050</u>
	<u>\$ 33,630,881</u>	<u>\$ 45,855,781</u>

Activity in the investments during the year was as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 45,855,781	\$ 51,332,382
Purchases of investments	2,242,489	7,103,781
Sales of investments	(1,896,679)	(1,418,148)
Net cash and cash equivalent activity within investment accounts	(12,700,977)	(4,953,365)
Reinvestment of interest and dividend income	589,295	753,777
Net realized and unrealized gains (losses) on investments	433,823	(379,051)
Investment fees	(42,851)	(47,595)
Maturities of fixed income investments	<u>(850,000)</u>	<u>(6,536,000)</u>
Balance, end of year	<u>\$ 33,630,881</u>	<u>\$ 45,855,781</u>

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 17,850,272	\$ -	\$ -	\$ 17,850,272
Fixed income securities	-	7,687,737	-	7,687,737
Equity mutual funds	<u>8,092,872</u>	<u>-</u>	<u>-</u>	<u>8,092,872</u>
	<u>\$ 25,943,144</u>	<u>\$ 7,687,737</u>	<u>\$ -</u>	<u>\$ 33,630,881</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>

4. WEBSITE AND SOFTWARE DEVELOPMENT COSTS

Website and software development costs consist of the following:

	<u>2017</u>	<u>2016</u>
Website development	\$ 6,825,106	\$ 5,689,844
Accumulated amortization	<u>(5,043,317)</u>	<u>(3,853,499)</u>
	<u>\$ 1,781,789</u>	<u>\$ 1,836,345</u>

Amortization expense for the years ended June 30, 2017 and 2016 was \$1,189,818 and \$1,372,789, respectively.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Equipment	\$ 274,176	\$ 223,755
Furniture and fixtures	<u>12,767</u>	<u>12,767</u>
	286,943	236,522
Accumulated depreciation	<u>(212,400)</u>	<u>(182,454)</u>
	<u>\$ 74,543</u>	<u>\$ 54,068</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$29,946 and \$27,534, respectively.

6. GRANTS PAYABLE

The highest quality research projects often require a commitment of two to five 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, 2017 and 2016, the Foundation has committed to continuing grants for Fellows, Scholars, International Scholars, and Consortia aggregating \$23,122,395 and \$30,935,418, respectively, that are scheduled to be disbursed through June 30, 2020. 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.

Grant commitments that are expected to be paid within one year are recorded at net realizable value. Grant commitments 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 adjusted risk-free rates of U.S Treasury yields. For the year ended June 30, 2017, the interest rate applied was 1.7%. Amortization of the discount is included in grant expense.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2017 and 2016

6. GRANTS PAYABLE (continued)

Future maturities of grants payable are as follows:

<u>Year ending June 30,</u>	
2018	\$ 18,127,398
2019	3,814,688
2020	<u>1,285,938</u>
	23,228,024
Present value discount	<u>(105,629)</u>
	<u><u>\$ 23,122,395</u></u>

7. COMMITMENT

At June 30, 2017, 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.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2018	\$ 570,586
2019	<u>289,786</u>
	<u><u>\$ 860,372</u></u>

Rent expense for the years ending June 30, 2017 and 2016 totaled \$501,386 and \$574,306, respectively.

8. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement 401(k) plan available to eligible employees. Upon meeting the eligibility requirements, an employee may elect to contribute a percentage of base salary up to the maximum permitted by law and the Foundation agrees to contribute a matching amount. The Foundation contributes 3% of employees' salaries, regardless of their contributions. Employees become immediately vested in the 3% contribution. The Foundation also matches employee contributions, up to 7% of their salary. Employees are vested in these contributions over a five-year vesting period. The Foundation contributed \$314,368 and \$274,637 to the plan for the years ended June 30, 2017 and 2016.

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9. RELATED PARTY

For the year ended June 30, 2017, the Foundation received approximately \$117,200 in contributions from members of the Board of Directors and approximately \$14,500 in contributions from employees. For the year ended June 30, 2016, the Foundation received approximately \$36,000 in contributions from members of the Board of Directors and approximately \$6,800 in contributions from employees. As the Foundation's CEO also serves as a member of the Board of Directors, her contributions are included with board member contributions.

10. PLEDGES RECEIVABLE

At June 30, 2017, the entire balance of outstanding pledges receivable was due within one year. The allowance for doubtful pledges was \$27,160 at June 30, 2017 and 2016. The allowance is calculated based on the Foundation's experience with such pledges.