

St. Baldrick's Foundation

Financial Statements

June 30, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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^{LLP}
Los Angeles, California

November 29, 2018

St. Baldrick's Foundation
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,683,857	\$ 3,145,973
Investments	33,858,299	33,630,881
Pledges receivable, net	73,401	427,640
Prepaid expenses and other current assets	255,206	207,553
Website and software development costs, net	1,571,088	1,781,789
Property and equipment, net	104,835	74,543
Security deposits	20,520	20,520
Total assets	\$ 38,567,206	\$ 39,288,899
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 23,815,181	\$ 23,122,395
Accounts payable and accrued expenses	625,015	602,640
Other liabilities	108,526	168,709
Total liabilities	24,548,722	23,893,744
Commitments (Notes 7 and 8)		
Net assets		
Unrestricted	13,770,779	14,856,080
Temporarily restricted	247,705	539,075
Total net assets	14,018,484	15,395,155
Total liabilities and net assets	\$ 38,567,206	\$ 39,288,899

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, gains (losses) and support			
Contributions	\$ 35,198,806	\$ 267,842	\$ 35,466,648
Contributed services and assets	705,239	-	705,239
Interest and dividend income	463,894	-	463,894
Net realized and unrealized gains on investments	510,152	-	510,152
Net assets released from restriction	<u>559,212</u>	<u>(559,212)</u>	<u>-</u>
	<u>37,437,303</u>	<u>(291,370)</u>	<u>37,145,933</u>
Functional expenses			
Childhood cancer research and advocacy	27,481,920	-	27,481,920
Management and general	1,708,028	-	1,708,028
Fundraising	<u>9,332,656</u>	<u>-</u>	<u>9,332,656</u>
Total functional expenses	<u>38,522,604</u>	<u>-</u>	<u>38,522,604</u>
Change in net assets	(1,085,301)	(291,370)	(1,376,671)
Net assets, beginning of year	<u>14,856,080</u>	<u>539,075</u>	<u>15,395,155</u>
Net assets, end of year	<u>\$ 13,770,779</u>	<u>\$ 247,705</u>	<u>\$ 14,018,484</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, 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 on investments	433,823	-	433,823
Net assets released from restriction	<u>574,528</u>	<u>(574,528)</u>	<u>-</u>
	<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 Functional Expenses
For the Year Ended June 30, 2018

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Grants	\$ 24,507,882	\$ -	\$ -	\$ 24,507,882
Salaries and benefits	1,365,348	1,082,778	3,319,332	5,767,458
Marketing and publicity	255,779	4,244	953,630	1,213,653
Event promotion costs	-	-	987,034	987,034
Donation processing and bank fees	-	12,175	682,772	694,947
Printing costs	16,383	4,096	61,438	81,917
Occupancy	117,754	89,101	285,710	492,565
Other operating costs	61,478	59,224	119,481	240,183
Professional fees and consultants	491,257	214,122	320,730	1,026,109
Technology and information systems	455,648	129,060	1,746,777	2,331,485
Meetings, conventions and travel	168,243	31,176	97,088	296,507
Depreciation and amortization	42,148	42,148	758,664	842,960
Investment fees	-	39,904	-	39,904
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 27,481,920</u>	<u>\$ 1,708,028</u>	<u>\$ 9,332,656</u>	<u>\$ 38,522,604</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	1,159,832
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	2,021,381
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
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,376,671)	\$ (3,313,086)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	842,960	1,219,764
Net realized and unrealized (gains) losses on sales of investments	(510,152)	(433,823)
Investment fees	39,904	42,851
Allowance for doubtful accounts	(27,160)	-
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(47,653)	(81,931)
Pledges receivable	381,399	376,702
Grants payable	692,786	(7,813,023)
Accounts payable and accrued expenses	22,375	(17,080)
Other liabilities	(60,183)	(90,094)
Net cash used in operating activities	(42,395)	(10,109,720)
Cash flows from investing activities		
Purchases of investments	(767,372)	(2,242,489)
Sales of investments	508,315	1,896,679
Maturities of fixed income investments	4,161,000	850,000
Reinvestment of interest and dividend income	(463,894)	(589,295)
Net cash and cash equivalent activity within investment accounts	(3,195,219)	12,700,977
Purchases of property and equipment	(92,963)	(50,421)
Website development costs	(569,588)	(1,135,262)
Net cash provided by (used in) investing activities	(419,721)	11,430,189
Net increase (decrease) in cash and cash equivalents	(462,116)	1,320,469
Cash and cash equivalents, beginning of year	3,145,973	1,825,504
Cash and cash equivalents, end of year	\$ 2,683,857	\$ 3,145,973

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

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2018 and 2017

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 200 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 2014 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 2013 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, 2018 and 2017

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, 2018 and 2017, the reserve for outstanding grants awarded was \$23,815,181 and \$23,122,395.

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, 2018 and 2017

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, 2018 or 2017.

Grants

Complex research projects can require a commitment of up to three 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, 2018 and 2017

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 St. Baldrick's Pediatric Cancer Dream Team – Stand Up To Cancer is building on the success of its first four-year term, and has embarked 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, 2018 and 2017

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 either by purpose or time. 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, \$73,401 and \$419,800 were time restricted at June 30, 2018 and 2017. There were \$174,304 and \$119,275 of purpose-restricted net assets at June 30, 2018 and 2017, 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, 2018 and 2017 of \$652,184 and \$766,257, respectively, primarily relating to public relations, advertising, attorney services and management consulting.

Contributed assets consist of items for fund raising events 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, 2018 and 2017 of \$53,055 and \$68,059, 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, 2018 and 2017, the Foundation's grant applications were reviewed by a team of over 200 and 181 medical doctors and researchers who contributed approximately 2,571 and 3,009 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, 2018 and 2017

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 \$1,189,679 and \$1,164,048 of contributions for the years ended June 30, 2018 and 2017, respectively. During the year ended June 30, 2018, 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, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 29, 2018, 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, with the exception of Note 7.

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, 2018 and 2017

3. INVESTMENTS (continued)

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 21,652,895	\$ 17,850,272
Fixed income securities	3,385,107	7,687,737
Equity mutual funds	<u>8,820,297</u>	<u>8,092,872</u>
	<u>\$ 33,858,299</u>	<u>\$ 33,630,881</u>

Activity in the investments during the year was as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 33,630,881	\$ 45,855,781
Purchases of investments	767,372	2,242,489
Sales of investments	(508,315)	(1,896,679)
Net cash and cash equivalent activity within investment accounts	3,195,219	(12,700,977)
Reinvestment of interest and dividend income	463,894	589,295
Net realized and unrealized gains (losses) on investments	510,152	433,823
Investment fees	(39,904)	(42,851)
Maturities of fixed income investments	<u>(4,161,000)</u>	<u>(850,000)</u>
Balance, end of year	<u>\$ 33,858,299</u>	<u>\$ 33,630,881</u>

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 21,652,895	\$ -	\$ -	\$ 21,652,895
Fixed income securities	-	3,385,107	-	3,385,107
Equity mutual funds	<u>8,820,297</u>	<u>-</u>	<u>-</u>	<u>8,820,297</u>
	<u>\$ 30,473,192</u>	<u>\$ 3,385,107</u>	<u>\$ -</u>	<u>\$ 33,858,299</u>

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>

4. WEBSITE AND SOFTWARE DEVELOPMENT COSTS

Website and software development costs consist of the following:

	<u>2018</u>	<u>2017</u>
Website development	\$ 7,394,694	\$ 6,825,106
Accumulated amortization	<u>(5,823,606)</u>	<u>(5,043,317)</u>
	<u>\$ 1,571,088</u>	<u>\$ 1,781,789</u>

Amortization expense for the years ended June 30, 2018 and 2017 was \$780,289 and \$1,189,818, respectively.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2018 and 2017

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Equipment	\$ 367,139	\$ 274,176
Furniture and fixtures	12,767	12,767
	379,906	286,943
Accumulated depreciation	(275,071)	(212,400)
	\$ 104,835	\$ 74,543

Depreciation expense for the years ended June 30, 2018 and 2017 was \$62,671 and \$29,946, 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, 2018 and 2017, the Foundation has committed to continuing grants for Fellows, Scholars, International Scholars, and Consortia aggregating \$23,815,181 and \$23,122,395, respectively, that are scheduled to be disbursed through June 30, 2021. 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, 2018, the interest rate applied was 2.6%. Amortization of the discount is included in grant expense.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2018 and 2017

6. GRANTS PAYABLE (continued)

Future maturities of grants payable are as follows:

<u>Year ending June 30,</u>	
2019	\$ 20,258,758
2020	2,297,246
2021	<u>1,385,758</u>
	23,941,762
Present value discount	<u>(126,581)</u>
	<u><u>\$ 23,815,181</u></u>

7. COMMITMENT

At June 30, 2018, the Foundation was obligated under a noncancelable operating lease for office space that was set to expire December 31, 2018. The Foundation renegotiated its lease before its expiration, and it now expires June 30, 2024. 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>	
2019	\$ 427,206
2020	384,089
2021	395,426
2022	407,175
2023	456,784
Thereafter	<u>469,976</u>
	<u><u>\$ 2,540,656</u></u>

Rent expense for the years ending June 30, 2018 and 2017 totaled \$492,565 and \$501,386, 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 \$358,390 and \$314,368 to the plan for the years ended June 30, 2018 and 2017.

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9. RELATED PARTY

For the year ended June 30, 2018, the Foundation received approximately \$157,900 in contributions from members of the Board of Directors and approximately \$39,800 in contributions from employees. 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. 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, 2018, the entire balance of outstanding pledges receivable was due within one year. There was no allowance for doubtful pledges at June 30, 2018. The allowance for doubtful pledges was \$27,160 at June 30, 2017. The allowance is calculated based on the Foundation's experience with such pledges.