

***National Foundation for Cancer Research, Inc.***

*Consolidated Financial Statements*

*For the Years Ended December 31, 2016 and 2015*

---

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.**  
**TABLE OF CONTENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

---

REPORT OF INDEPENDENT AUDITORS	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION	15
SUPPLEMENTAL INFORMATION	
Consolidating Statement of Financial Position	16
Consolidating Statement of Activities	17

---

## REPORT OF INDEPENDENT AUDITORS

---

Board of Directors  
National Foundation for Cancer Research, Inc.  
Bethesda, MD

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of National Foundation for Cancer Research, Inc. and affiliates, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## REPORT OF INDEPENDENT AUDITORS

---

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Foundation for Cancer Research, Inc. and affiliates as of December 31, 2016 and 2015, and the changes in their net assets and their 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 "Brad Beebe". The signature is written in a cursive, flowing style.

**A Professional Corporation**  
Bethesda, MD  
May 8, 2017

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

	<u>ASSETS</u>		
<b>ASSETS</b>		<u>2016</u>	<u>2015</u>
Cash		\$ 4,315,431	\$ 2,820,551
Accounts receivable		133,972	286,488
Prepaid expenses and other assets		367,657	389,623
Fixed assets, net of accumulated depreciation and amortization		47,474	54,121
Investments		7,953,489	7,547,216
Amounts held in trust by others		<u>2,398,467</u>	<u>2,376,158</u>
<b>TOTAL ASSETS</b>		<u>\$ 15,216,490</u>	<u>\$ 13,474,157</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  			
<b>LIABILITIES</b>			
Accounts payable		\$ 976,226	\$ 848,870
Research contracts and grants payable		1,061,614	967,837
Accrued compensation and benefits		<u>137,451</u>	<u>120,775</u>
<b>TOTAL LIABILITIES</b>		<u>2,175,291</u>	<u>1,937,482</u>
<b>NET ASSETS</b>			
Unrestricted			
Designated for research contracts		4,812,470	4,420,930
Undesignated		<u>4,706,167</u>	<u>3,738,277</u>
		9,518,637	8,159,207
Temporarily restricted		1,539,542	1,418,289
Permanently restricted		<u>1,983,020</u>	<u>1,959,179</u>
<b>TOTAL NET ASSETS</b>		<u>13,041,199</u>	<u>11,536,675</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 15,216,490</u>	<u>\$ 13,474,157</u>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>								
Public support	\$ 9,141,065	\$ 887,809	\$ -	\$ 10,028,874	\$ 10,012,371	\$ 706,343	\$ -	\$ 10,718,714
Bequests	3,294,286	-	-	3,294,286	1,721,327	-	-	1,721,327
Mailing list rental	357,786	-	-	357,786	358,032	-	-	358,032
Investment income (loss)	495,730	-	-	495,730	(3,850)	-	-	(3,850)
Change in value of split-interest agreements	(23,882)	(1,532)	23,841	(1,573)	(57,754)	(7,620)	(151,148)	(216,522)
Other revenue	6,095	-	-	6,095	23,327	-	-	23,327
Non-cash research support	644,515	-	-	644,515	590,028	-	-	590,028
Net assets released from restrictions	765,024	(765,024)	-	-	750,374	(750,374)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>14,680,619</b>	<b>121,253</b>	<b>23,841</b>	<b>14,825,713</b>	<b>13,393,855</b>	<b>(51,651)</b>	<b>(151,148)</b>	<b>13,191,056</b>
<b>EXPENSES</b>								
Program services								
Research	4,749,049	-	-	4,749,049	3,950,277	-	-	3,950,277
Public education and information	5,214,010	-	-	5,214,010	5,729,242	-	-	5,729,242
	<u>9,963,059</u>	<u>-</u>	<u>-</u>	<u>9,963,059</u>	<u>9,679,519</u>	<u>-</u>	<u>-</u>	<u>9,679,519</u>
Supporting services								
Fundraising	2,385,338	-	-	2,385,338	2,654,129	-	-	2,654,129
Management and general	972,792	-	-	972,792	839,173	-	-	839,173
	<u>3,358,130</u>	<u>-</u>	<u>-</u>	<u>3,358,130</u>	<u>3,493,302</u>	<u>-</u>	<u>-</u>	<u>3,493,302</u>
<b>TOTAL EXPENSES</b>	<b>13,321,189</b>	<b>-</b>	<b>-</b>	<b>13,321,189</b>	<b>13,172,821</b>	<b>-</b>	<b>-</b>	<b>13,172,821</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,359,430</b>	<b>121,253</b>	<b>23,841</b>	<b>1,504,524</b>	<b>221,034</b>	<b>(51,651)</b>	<b>(151,148)</b>	<b>18,235</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>8,159,207</b>	<b>1,418,289</b>	<b>1,959,179</b>	<b>11,536,675</b>	<b>7,938,173</b>	<b>1,469,940</b>	<b>2,110,327</b>	<b>11,518,440</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 9,518,637</b>	<b>\$ 1,539,542</b>	<b>\$ 1,983,020</b>	<b>\$ 13,041,199</b>	<b>\$ 8,159,207</b>	<b>\$ 1,418,289</b>	<b>\$ 1,959,179</b>	<b>\$ 11,536,675</b>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016					2015				
	Cancer Research	Public Education and Information	Fundraising	Management and General	Total	Cancer Research	Public Education and Information	Fundraising	Management and General	Total
<b>EXPENSES</b>										
Accounting and auditing	\$ -	\$ -	\$ -	\$ 41,680	\$ 41,680	\$ -	\$ -	\$ -	\$ 40,478	\$ 40,478
Bank and payroll service fees	-	-	-	127,483	127,483	-	-	-	148,016	148,016
Creative fees	-	8,953	4,686	-	13,639	-	12,729	9,571	-	22,300
Data services	3,100	466,105	186,149	1,451	656,805	617	509,571	198,799	887	709,874
Depreciation and amortization	7,465	3,625	1,737	2,565	15,392	7,980	4,537	2,515	2,502	17,534
Dues and subscriptions	7,429	2,765	2,750	15,074	28,018	8,749	-	1,295	20,111	30,155
Insurance	17,774	8,605	4,129	6,110	36,618	16,591	9,416	5,206	5,198	36,411
Investment fees	-	-	-	59,747	59,747	-	-	-	57,829	57,829
Legal fees and expenses	26,676	-	-	69,596	96,272	11,564	-	-	77,658	89,222
Licenses and permits	-	-	-	20,079	20,079	-	-	-	25,332	25,332
Listing processing fees	-	45,554	18,572	-	64,126	-	49,293	19,723	-	69,016
List rental	-	243,025	68,813	-	311,838	-	249,011	70,388	-	319,399
Lockbox and data entry	-	98,853	40,427	-	139,280	-	119,094	47,586	-	166,680
Major gifts	-	-	6,295	-	6,295	-	-	5,173	-	5,173
Mailshop fees	-	300,540	431,932	-	732,472	-	304,972	482,472	-	787,444
Miscellaneous	-	-	-	14,345	14,345	-	8,415	8,188	11,079	27,682
Non-cash contributions	644,515	-	-	-	644,515	590,028	-	-	-	590,028
Occupancy	95,530	45,305	21,869	32,455	195,159	89,095	50,412	27,681	28,016	195,204
Office supplies and expenses	10,146	4,987	2,366	3,661	21,160	11,492	6,527	3,605	4,004	25,628
Other professional fees	313,691	263,594	71,669	118,517	767,471	150,017	279,691	57,145	36,747	523,600
Personnel	1,135,297	550,655	264,008	404,561	2,354,521	1,040,840	591,170	327,287	340,925	2,300,222
Planned giving	-	-	-	11,233	11,233	-	-	-	5,670	5,670
Postage	49	1,763,553	727,787	2,915	2,494,304	38	1,952,933	803,984	3,794	2,760,749
Printing and publication	-	1,340,796	517,013	14,228	1,872,037	-	1,521,798	567,660	5,123	2,094,581
Public education and website	5,165	62,539	13,019	1,803	82,526	2,740	54,707	13,041	-	70,488
Research contracts and grants	2,418,399	-	-	-	2,418,399	1,981,849	-	-	-	1,981,849
Telephone services	8,865	4,284	2,059	3,055	18,263	8,595	4,886	2,707	2,697	18,885
Travel and business meetings	54,948	272	58	22,234	77,512	30,082	80	103	23,107	53,372
<b>TOTAL EXPENSES</b>	<b>\$ 4,749,049</b>	<b>\$ 5,214,010</b>	<b>\$ 2,385,338</b>	<b>\$ 972,792</b>	<b>\$ 13,321,189</b>	<b>\$ 3,950,277</b>	<b>\$ 5,729,242</b>	<b>\$ 2,654,129</b>	<b>\$ 839,173</b>	<b>\$ 13,172,821</b>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,504,524	\$ 18,235
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net (gain) loss on investments	(212,417)	366,898
Donated investment securities	(100,090)	(24,840)
Depreciation and amortization	15,392	17,534
(Increase) decrease in		
Accounts receivable	152,516	(117,237)
Prepaid expenses and other assets	21,966	62,743
Amounts held in trust by others	(22,309)	158,763
Increase (decrease) in		
Accounts payable	127,356	(73,303)
Research contracts and grants payable	93,777	(1,124,149)
Accrued compensation and benefits	16,676	(2,654)
	<u>1,597,391</u>	<u>(718,010)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(8,745)	(15,252)
Purchases of investments	(5,425,659)	(2,615,608)
Sales of investments	5,331,893	2,459,789
	<u>(102,511)</u>	<u>(171,071)</u>
<b>INCREASE (DECREASE) IN CASH</b>	1,494,880	(889,081)
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,820,551</u>	<u>3,709,632</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 4,315,431</u>	<u>\$ 2,820,551</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for income taxes	<u>\$ 3,787</u>	<u>\$ 1,215</u>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

---

**NOTE 1: ORGANIZATION**

The National Foundation for Cancer Research, Inc. (the NFCR) was incorporated in Massachusetts in 1973 to support basic science cancer research projects including the theories of Dr. Albert Szent-Gyorgyi, who discovered Vitamin C. The NFCR is dedicated to supporting "high risk/high reward" cancer research and public education relating to prevention, early diagnosis, better treatments and, ultimately, a cure for cancer.

The NFCR established six tax exempt entities: the Cancer Research Laboratories Foundation, Inc. (established in 1996), the Cancer Research Coalition (established in 1997), the Fund for Inherited Disease Research (FIDR), the Darwin Foundation (formerly, the Consortium for Clinical Diagnostics (CCDx)), NFCR Western Chapter, and NFCR Mid-Atlantic Chapter. Both the Cancer Research Laboratories Foundation, Inc. and the Cancer Research Coalition were inactive and had no net assets for the years ended December 31, 2016 and 2015. FIDR and CCDx were, respectively, incorporated in October 2000 and March 2003, as tax-exempt supporting organizations to the NFCR. The Western and Mid-Atlantic chapters were created in 2011 to assist with fundraising.

FIDR conducted research focused on the correction of genetic mutations in chromosomal DNA. In an effort to streamline research related to these types of cancer, FIDR transitioned its cancer related research operations to other organizations and FIDR was dissolved on August 26, 2015. All assets at dissolution which consisted solely of cash balances totaling \$8,364, were transferred to the NFCR.

CCDx is a partnership of scientists at research institutions and biopharmaceutical companies dedicated to facilitating genomic research and developing new diagnostic tools. CCDx provides a centralized infrastructure and expertise in genomics and molecular imaging as well as translational medicine. On July 25, 2016, the name of CCDx was legally changed to Darwin Foundation.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The consolidated financial statements of the National Foundation for Cancer Research, Inc. and Affiliates (collectively, the Foundation) have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

**Consolidation**

The consolidated financial statements include the accounts and transactions of the NFCR, and the accounts and transactions of FIDR, NFCR Western Chapter, NFCR Mid-Atlantic Chapter, and the Darwin Foundation. All significant intercompany transactions and accounts have been eliminated.

**Accounting Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Due (To) From The Asian Fund for Cancer Research**

The Asian Fund for Cancer Research (AFCR) is an independent legal charity based in Hong Kong, that is committed to fighting cancer through research in prevention, earlier diagnostic techniques, more effective treatments and ultimately, achieving one of medicine's greatest goals; curing cancer. A key executive of the NFCR also serves as a key executive of AFCR. During 2015, the NFCR pledged \$50,000 to AFCR. The NFCR also pays expenses on behalf of AFCR, which are reimbursed by AFCR, these expenses totaled \$34,146 and \$19,678 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, due to AFCR was \$7,331 and is included in accounts receivable on the consolidated statements of financial position. As of December 31, 2015, due from AFCR was \$114,023 and is included in accounts receivable on the consolidated statements of financial position.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Accounts Receivable**

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Management believes the amounts in accounts receivable at December 31, 2016 and 2015 are fully collectible.

**Net Assets**

Net assets are reported as temporarily restricted or permanently restricted if they arise from contributions received with donor stipulations on their use. Temporarily restricted net assets are the portion of net assets resulting from contributions or other inflows of assets whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the organization pursuant to those stipulations. Permanently restricted net assets are the portion of net assets whose use is limited by donor-imposed stipulation that cannot be removed by the passage of time or action of the organization.

Unrestricted net assets are the portion of net assets that are not subject to limitations imposed by donors, but which may be subject to limitations and allocations imposed by the board of directors.

**Bequests**

The Foundation is the beneficiary under various wills and trust agreements. The Foundation records such amounts when notified that the estate has cleared probate.

**Prepaid Expenses**

Prepaid expenses generally include insurance, rent, and unused postage paid prior to December 31.

**Fixed Assets**

Fixed assets are capitalized at cost. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Office furniture and equipment	5 - 10 years
Computers, software and equipment	3 - 10 years

Leasehold improvements are amortized over the remaining term of the lease.

**Investments and Investment Income**

Investments are presented at fair value on the consolidated statements of financial position. The gains and losses (unrealized and realized) in the fair value of investments are comprised of the net changes in the fair values of investments bought, sold and held during the year and are recognized in the year in which they occur. Purchases and sales of investments are reflected on a trade date basis. Dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis.

**Amounts Held in Trust by Others**

Amounts held in trust by others include perpetual trusts and interests in charitable remainder trusts. The perpetual trusts are stated at fair value of the assets using the closing price reported of like assets, corroborated market data, indices and/or yield curves. The NCFR's interests in charitable remainder trusts are stated at fair value using the closing price reported of like assets, corroborated market data, indices and/or yield curves, representing the estimated amount to be received at the termination of the trusts.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Mailing List Rental Revenue**

Revenue from mailing list rentals is recognized at the time these client lists are mailed out to the entities that requested them. Mailing list rental revenue is recorded net of the fee charged by the mailing list broker.

**Contributions**

Public support is recorded as revenue when contributions, which include unconditional promises to give (pledges), are unconditionally committed. The Foundation has adopted a policy of recording donor-restricted contributions as unrestricted revenue if the restrictions are met in the same reporting period as the gift is received.

**Research Contracts and Grants**

The NFCR awards both research contracts and grants.

**Research Contracts**

The NFCR enters into agreements with universities and other institutions to conduct scientific research on their premises, in accordance with policies established by the board of directors of the NFCR. Research contracts payable represents research expenses incurred during the years ended December 31, 2016 and 2015 under these contracts, but not yet paid to the institutions by December 31, 2016 and 2015. The NFCR records the expenses on these contracts in the period they are incurred based on the expenditure reports submitted by the institutions.

**Grants**

The NFCR awards certain research grants to selected scientists to fund their research programs in accordance with policies established by the board of directors of the NFCR. The NFCR records these as expenses once the grants are awarded. Grants payable represents such awards that have not yet been paid to the respective scientists by December 31, 2016 and 2015.

**Functional Allocation of Expenses**

The costs of providing the Foundation's programs and services are summarized on a functional basis on the consolidated statements of activities. Accordingly, certain costs have been allocated between the programs and services benefited as reflected on the consolidated statements of functional expenses.

**Subsequent Events**

In preparing these consolidated financial statements, management has evaluated events and transactions that occurred after December 31, 2016 for potential recognition or disclosure in the consolidated financial statements. These events and transactions were evaluated through May 8, 2017, the date that the consolidated financial statements were available to be issued.

**NOTE 3: TAX STATUS**

The NFCR has been recognized by the Internal Revenue Service (IRS) as exempt from income tax under Internal Revenue Code Section 501(c)(3) and related state statutes, except for income tax on unrelated business income, if any. It qualifies as a public charity under Section 509(a)(1). FIDR and Darwin Foundation have been recognized by the IRS as exempt from income tax under Section 501(c)(3) and related state statutes, except for income tax on unrelated business income, if any. They are supporting organizations to the NFCR under Section 509(a)(3). NFCR Western Chapter, a California nonprofit corporation, and NFCR Mid-Atlantic Chapter, a District of Columbia nonprofit corporation, were added in 2011 by the NFCR to its roster of subordinate organizations covered under the group exemption ruling, dated April 26, 2010, issued by the Internal Revenue Service to the NFCR. Both chapters are exempt from federal and state income tax, except for income tax on unrelated business income, as organizations described under section 501(c)(3) of the Internal Revenue Code and related state statutes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3: TAX STATUS

Accounting principles generally accepted in the United States of America require management to evaluate income tax positions taken and accrue an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken and concluded that as of December 31, 2016 there are no uncertain positions taken or expected to be taken that would require recognition in the consolidated financial statements. The NFCR and affiliates are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

### NOTE 4: RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, all temporarily restricted net assets are restricted by donors to specific types of cancer research or they are subject to donor time restrictions, as follows:

	<u>2016</u>	<u>2015</u>
Net assets subject to time restrictions imposed by charitable trusts	\$ 498,358	\$ 499,890
Net assets subject to restrictions on use	<u>1,041,184</u>	<u>918,399</u>
	<u>\$ 1,539,542</u>	<u>\$ 1,418,289</u>

Temporarily restricted net assets released from restriction for the years ended December 31, 2016 and 2015, represent expenditures for specific types of cancer research that have accomplished the imposed restrictions.

Permanently restricted net assets consist of perpetual trusts for which the NFCR is named as a beneficiary.

### NOTE 5: INVESTMENTS

At December 31, 2016 and 2015, the NFCR's consolidated investments consisted of the following:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 305,342	\$ 318,151
Corporate bonds	1,257,960	1,244,562
U.S. government bonds	889,842	864,169
Common and preferred stocks	3,614,285	2,959,950
Mutual funds	1,099,709	1,140,982
Exchange traded funds	<u>786,351</u>	<u>1,019,402</u>
	<u>\$ 7,953,489</u>	<u>\$ 7,547,216</u>

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### NOTE 5: INVESTMENTS - continued

The NFCR's consolidated investment income (loss) for the years ended December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 283,313	\$ 363,048
Realized gains (losses)	81,698	(71,088)
Unrealized gains (losses)	<u>130,719</u>	<u>(295,810)</u>
	<u>\$ 495,730</u>	<u>\$ (3,850)</u>

### NOTE 6: FAIR VALUE

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

#### Level 1

Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

#### Level 2

Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

#### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation methodology was not changed during the year ended December 31, 2016.

Investments are presented at fair value determined as follows:

- U.S. government bonds, exchange traded funds, mutual funds and common and preferred stocks are valued based on quoted market prices.
- Corporate bonds are valued using the closing price reported of like assets, corroborated market data, indices and/or yield curves.
- Money market funds are valued at cost, which approximates fair value.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

For the year ended December 31, 2016, there were no transfers in or out of levels 1, 2 or 3.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6: FAIR VALUE - continued**

As of December 31, 2016 and 2015, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2016			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 305,342	\$ -	\$ 305,342
Corporate bonds	-	1,257,960	-	1,257,960
U.S. government bonds	889,842	-	-	889,842
Common and preferred stocks	3,614,285	-	-	3,614,285
Mutual funds	1,099,709	-	-	1,099,709
Exchange traded funds	786,351	-	-	786,351
Amounts held in trust by others	-	2,398,467	-	2,398,467
	\$ 6,390,187	\$ 3,961,769	\$ -	\$ 10,351,956

  

	2015			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ -	\$ 318,151	\$ -	\$ 318,151
Corporate bonds	-	1,244,562	-	1,244,562
U.S. government bonds	864,169	-	-	864,169
Common and preferred stocks	2,959,950	-	-	2,959,950
Mutual funds	1,140,982	-	-	1,140,982
Exchange traded funds	1,019,402	-	-	1,019,402
Amounts held in trust by others	-	2,376,158	-	2,376,158
	\$ 5,984,503	\$ 3,938,871	\$ -	\$ 9,923,374

**NOTE 7: FIXED ASSETS**

As of December 31, 2016 and 2015, the Foundation's fixed assets consists of the following:

	2016	2015
Office furniture and equipment	\$ 139,609	\$ 139,608
Computer equipment and software	92,415	83,671
Leasehold improvements	2,464	2,464
	234,488	225,743
Accumulated depreciation and amortization	(187,014)	(171,622)
	\$ 47,474	\$ 54,121

**NOTE 8: AMOUNTS HELD IN TRUST BY OTHERS**

The Foundation is the beneficiary of several split-interest agreements, including irrevocable perpetual trusts and charitable remainder trusts, as described in Internal Revenue Code Section 664. The Foundation does not exercise control over the trusts' assets, which are held and administered by third-party trustees.

---

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### NOTE 8: AMOUNTS HELD IN TRUST BY OTHERS - continued

Under the perpetual trusts, the donors established and funded trusts whereby the Foundation is the beneficiary of the income on the trust assets as earned in perpetuity with no restrictions on use. Under the charitable trusts, the donors established and funded trusts whereby the Foundation receives income distributions from the trust and will receive a percentage of trust assets at the termination of the trust.

The fair value of perpetual trusts at December 31, 2016 and 2015, is \$1,963,023 and \$1,939,182, respectively. The increase (decrease) in the beneficial interest in perpetual trusts for the years ended December 31, 2016 and 2015 is \$23,841 and \$(151,148), respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

The Foundation's interests in charitable remainder trusts at December 31, 2016 and 2015 is \$435,444 and \$436,976, respectively. The decrease in the beneficial interest in charitable remainder trusts for the years ended December 31, 2016 and 2015 is \$(1,532) and \$(7,620), respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

### NOTE 9: DESIGNATED FOR RESEARCH CONTRACTS

At December 31, 2016 and 2015, the board of directors has designated unrestricted net assets in order to fulfill contract commitments to universities and institutions for research amounting to \$4,812,470 and \$4,420,930, respectively.

### NOTE 10: LEASE COMMITMENTS

The NFCR leases office and storage space under a noncancelable operating lease in effect through February 28, 2018. Base monthly rent is \$16,224, increases each year by 3% and includes two months of free rent each lease year. As of December 31, 2016, the minimum rental commitments for the lease for the years ending December 31, are as follows:

2017	\$ 195,974
2018	<u>39,265</u>
	<u>\$ 235,239</u>

Occupancy expense for the years ended December 31, 2016 and 2015, was \$195,159 and \$195,204, respectively.

### NOTE 11: RETIREMENT PLAN

The NFCR offers a 401(k) Savings Plan for the benefit of its employees. Employees are eligible to participate in the plan after 3 months of employment. Under the plan, the NFCR makes a 3% annual safe harbor contribution and an annual discretionary contribution for eligible employees. The discretionary contribution percentage for officers is determined by the board of directors, for senior managers is 12% and for all other employees is 9% of their respective base salaries. The safe harbor and discretionary contribution that the NFCR makes to the plan is unrelated to whether an employee makes an elective deferral in a particular year. For the years ended December 31, 2016 and 2015, retirement expense was \$234,602 and \$238,700, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### NOTE 12: ALLOCATION OF JOINT COSTS

For the years ended December 31, 2016 and 2015, the Foundation incurred joint costs of \$6,190,844 and \$6,784,492, respectively, for informational materials and activities that included fundraising appeals, which were allocated at follows:

	<u>2016</u>	<u>2015</u>
Public education and information	\$ 4,447,598	\$ 4,887,483
Fundraising	<u>1,743,246</u>	<u>1,897,009</u>
	<u>\$ 6,190,844</u>	<u>\$ 6,784,492</u>

### NOTE 13: CONCENTRATIONS

Due to various risks (e.g., interest rate, market, credit) associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Financial instruments that subject the Foundation to concentrations of credit risk include cash which is invested with financial institutions. While the Foundation attempts to limit their financial exposure, their deposit balances with financial institutions may, at times, exceed the limits insured by agencies of the U.S. government. The Foundation has not experienced and management does not anticipate experiencing any credit losses on such deposits.

### NOTE 14: NON-CASH RESEARCH SUPPORT

Research contracts with universities and other institutions typically call for the reimbursement of most out-of-pocket research costs; however, many institutions also agree to donate certain chemicals, materials, equipment, and supercomputer time. These donations, provided by the institutions, become a normal part of the research program and would ordinarily be costs incurred by the NFCR. These donated amounts are recognized as non-cash research support revenue and research program expenses on the consolidated statements of activities.

Control over these donated goods is provided through on-location project directors, who are responsible to the NFCR for the research projects at the institutions.

The effect of these donations is to allow the NFCR to expand the research that would otherwise be performed under the contract. The institutions provide the NFCR with a measurable basis in order to quantify the estimated fair value of the donated property.

For the years ended December 31, 2016 and 2015, noncash support consisted of the following:

	<u>2016</u>	<u>2015</u>
Contract rights for use of supercomputer time	\$ 32,500	\$ 30,000
Chemicals, materials and equipment	<u>612,015</u>	<u>560,028</u>
	<u>\$ 644,515</u>	<u>\$ 590,028</u>

---

**REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTAL INFORMATION**

---

Board of Directors  
National Foundation for Cancer Research, Inc.  
Bethesda, MD

We have audited the consolidated financial statements of National Foundation for Cancer Research, Inc. as of and for the year ended December 31, 2016, and our report thereon dated May 8, 2017 which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**A Professional Corporation**  
Bethesda, MD  
May 8, 2017

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

<u>ASSETS</u>	<u>NFCR</u>	<u>Darwin Foundation</u>	<u>NFCR Western Chapter</u>	<u>NFCR Mid-Atlantic Chapter</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>						
Cash	\$ 4,122,992	\$ 137,064	\$ 26,967	\$ 28,408	\$ -	\$ 4,315,431
Accounts receivable	137,805	299,120	-	-	(302,953)	133,972
Prepaid expenses and other assets	367,657	-	-	-	-	367,657
Fixed assets, net of accumulated depreciation and amortization	47,474	-	-	-	-	47,474
Investments	7,953,489	-	-	-	-	7,953,489
Amounts held in trust by others	2,398,467	-	-	-	-	2,398,467
<b>TOTAL ASSETS</b>	<b>\$ 15,027,884</b>	<b>\$ 436,184</b>	<b>\$ 26,967</b>	<b>\$ 28,408</b>	<b>\$ (302,953)</b>	<b>\$ 15,216,490</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,275,346	\$ -	\$ 1,557	\$ 2,276	\$ (302,953)	\$ 976,226
Research contracts and grants payable	1,061,614	-	-	-	-	1,061,614
Accrued compensation and benefits	137,451	-	-	-	-	137,451
<b>TOTAL LIABILITIES</b>	<b>2,474,411</b>	<b>-</b>	<b>1,557</b>	<b>2,276</b>	<b>(302,953)</b>	<b>2,175,291</b>
<b>NET ASSETS</b>						
Unrestricted						
Designated for research contracts	4,641,754	170,716	-	-	-	4,812,470
Undesignated	4,389,157	265,468	25,410	26,132	-	4,706,167
	9,030,911	436,184	25,410	26,132	-	9,518,637
Temporarily restricted	1,539,542	-	-	-	-	1,539,542
Permanently restricted	1,983,020	-	-	-	-	1,983,020
<b>TOTAL NET ASSETS</b>	<b>12,553,473</b>	<b>436,184</b>	<b>25,410</b>	<b>26,132</b>	<b>-</b>	<b>13,041,199</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,027,884</b>	<b>\$ 436,184</b>	<b>\$ 26,967</b>	<b>\$ 28,408</b>	<b>\$ (302,953)</b>	<b>\$ 15,216,490</b>

**NATIONAL FOUNDATION FOR CANCER RESEARCH, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	NFCR	Darwin Foundation	NFCR Western Chapter	NFCR Mid-Atlantic Chapter	Eliminations	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>						
Revenue and support						
Public support	\$ 9,141,060	\$ -	\$ 5	\$ -	\$ -	\$ 9,141,065
Bequests	3,294,286	-	-	-	-	3,294,286
Mailing list rental	357,786	-	-	-	-	357,786
Investment income	495,730	-	-	-	-	495,730
Change in value of split-interest agreements	(23,882)	-	-	-	-	(23,882)
Other revenue	6,095	-	-	-	-	6,095
Non-cash research support	644,515	-	-	-	-	644,515
Net assets released from restrictions	765,024	-	-	-	-	765,024
<b>TOTAL REVENUE AND SUPPORT</b>	<b>14,680,614</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>14,680,619</b>
Expenses						
Program services						
Research	4,627,427	121,622	-	-	-	4,749,049
Public education and information	5,214,010	-	-	-	-	5,214,010
	<b>9,841,437</b>	<b>121,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,963,059</b>
Supporting services						
Fundraising	2,385,338	-	-	-	-	2,385,338
Management and general	971,758	-	401	633	-	972,792
	<b>3,357,096</b>	<b>-</b>	<b>401</b>	<b>633</b>	<b>-</b>	<b>3,358,130</b>
<b>TOTAL EXPENSES</b>	<b>13,198,533</b>	<b>121,622</b>	<b>401</b>	<b>633</b>	<b>-</b>	<b>13,321,189</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>1,482,081</b>	<b>(121,622)</b>	<b>(396)</b>	<b>(633)</b>	<b>-</b>	<b>1,359,430</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>						
Revenue and support						
Public support	887,809	-	-	-	-	887,809
Change in value of split-interest agreements	(1,532)	-	-	-	-	(1,532)
Net assets released from restrictions	(765,024)	-	-	-	-	(765,024)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>121,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,253</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>						
Change in value of split-interest agreements	23,841	-	-	-	-	23,841
	<b>23,841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,841</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,627,175</b>	<b>(121,622)</b>	<b>(396)</b>	<b>(633)</b>	<b>-</b>	<b>1,504,524</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>10,926,298</b>	<b>557,806</b>	<b>25,806</b>	<b>26,765</b>	<b>-</b>	<b>11,536,675</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 12,553,473</b>	<b>\$ 436,184</b>	<b>\$ 25,410</b>	<b>\$ 26,132</b>	<b>\$ -</b>	<b>\$ 13,041,199</b>