

Georgia Center for Oncology Research and Education, Inc.
(a Not-for-Profit Organization)

Financial Statements

As of and for the Year Ended December 31, 2017

Georgia Center for Oncology Research and Education, Inc.

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Independent Auditor's Report

To the Board of Directors
Georgia Center for Oncology Research and Education, Inc.
Atlanta, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of Georgia Center for Oncology Research and Education, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year 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 (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Georgia Center for Oncology Research and Education, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.



K. Glenn Aldridge, PC
(d/b/a Aldridge & Associates)
November 6, 2018

Georgia Center for Oncology Research and Education, Inc.

Statement of Financial Position As of December 31, 2017

Assets

Cash	\$ 407,045
Grants receivable	551,921
Prepaid expenses and other assets	21,461
Property and equipment, net	<u>27,357</u>
Total assets	<u>\$ 1,007,784</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$ 525,714
Deferred rent	<u>17,091</u>
Total liabilities	<u>542,805</u>

Net assets:

Without donor restrictions:	
Undesignated	252,615
With donor restrictions:	
Purpose restrictions	<u>212,364</u>
Total net assets	<u>464,979</u>
Total liabilities and net assets	<u>\$ 1,007,784</u>

Georgia Center for Oncology Research and Education, Inc.

Statement of Activities For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions and grants	\$ 1,285,422	\$ 159,811	\$ 1,445,233
Clinical trials	396,737	-	396,737
Interest income	1,296	-	1,296
Net assets released from restrictions	107,230	(107,230)	-
Total revenues, support and gains	1,790,685	52,581	1,843,266
Expenses:			
Program activities	1,520,269	-	1,520,269
Supporting activities:			
Management and general	194,166	-	194,166
Fundraising	36,792	-	36,792
Total supporting activities	230,958	-	230,958
Total expenses	1,751,227	-	1,751,227
Changes in net assets	39,458	52,581	92,039
Net assets, beginning of year	213,157	159,783	372,940
Net assets, end of year	\$ 252,615	\$ 212,364	\$ 464,979

Georgia Center for Oncology Research and Education, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2017

	Program activities	Management and general	Fundraising	Total	Total expenses by nature
Research contracts	\$ 599,321	\$ -	\$ -	\$ -	\$ 599,321
Compensation and benefits	643,894	85,257	-	85,257	729,151
Fees for services	128,979	10,114	33,000	43,114	172,093
Advertising and promotion	14,291	9,175	874	10,049	24,340
Office expense	7,969	9,790	1,900	11,690	19,659
Information technology	37,669	25,240	-	25,240	62,909
Occupancy	40,766	10,192	-	10,192	50,958
Travel	25,253	9,584	1,018	10,602	35,855
Insurance	1,284	17,053	-	17,053	18,337
Telephone	1,746	11,319	-	11,319	13,065
Bank charges	106	2,332	-	2,332	2,438
Other expenses	11,095	-	-	-	11,095
Depreciation and amortization	7,896	4,110	-	4,110	12,006
Total expenses by function	<u>\$ 1,520,269</u>	<u>\$ 194,166</u>	<u>\$ 36,792</u>	<u>\$ 230,958</u>	<u>\$ 1,751,227</u>

Georgia Center for Oncology Research and Education, Inc.

Statement of Cash Flows For the Year Ended December 31, 2017

Cash flows from operating activities

Cash provided by operating activities:

Cash received from donors and grantors \$ 1,324,465

Cash received from clinical trials 545,081

Cash received from interest 1,296

Cash used by operating activities:

Cash paid to employees (729,151)

Cash paid to service providers and vendors (934,188)

Net cash provided by operating activities 207,503

Cash flows from investing activities

Cash purchases of property and equipment (21,764)

Net cash used by investing activities (21,764)

Net increase in cash 185,739

Cash, beginning of year 221,306

Cash, end of year \$ 407,045

Supplemental disclosure of noncash activities:

Noncash landlord tenant improvement allowance \$ 9,703

Depreciation 12,006

Noncash straightline rent adjustment, net 5,463

Noncash landlord moving allowance 1,925

1. NATURE OF ACTIVITIES

Georgia Center for Oncology Research and Education, Inc. (Georgia CORE or the Organization) was incorporated on March 26, 2003 under the laws of the state of Georgia as a not-for-profit corporation for the purpose of contributing to the state's distinction as a national leader in cancer care through a statewide network of care providers, scientists, and educators dedicated to providing resources for cancer prevention, treatment, research, and education. The Organization's primary funding is provided from grants and contributions and its corporate office is located in Atlanta, Georgia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Adoption of Recent Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which is intended to improve how a not-for-profit (NFP) entity classifies its net assets, as well as the information it presents in its financial statements about its (1) liquidity and availability of resources, (2) expenses and investment return, and (3) cash flows. ASU 2016-14 is effective for the Organization for reporting periods beginning after December 15, 2017; however, NFPs may, under certain conditions, early adopt ASU 2016-14. The Organization has chosen to early adopt ASU 2016-14 by adjusting the presentation in these financial statements, which required no restatements or reclassifications.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which is intended to provide clarifying guidance on accounting for grants and contracts of NFPs as they relate to the new revenue standard (ASU 2014-09 *Revenue from Contracts with Customers*), and aims to minimize diversity in the classification of grants and contracts that exists under current guidance. ASU 2018-08 is effective for the Organization for reporting periods beginning after December 15, 2018; however, NFPs may early adopt ASU 2018-08. The Organization has chosen to early adopt ASU 2018-08 as of January 1, 2017, for both contributions and exchange transactions received and made, which required no restatements or reclassifications.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash, checking and savings accounts, and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Grants Receivable

Grants receivable are unsecured, noninterest-bearing outstanding balances due from grantors less an allowance for uncollectible grants receivable based on an assessment of grant agreements and knowledge of circumstances that may affect the ability of the grantors to meet their obligations. Grants receivable are evaluated for impairment if full payments are not received in accordance with contractual terms. Grants receivable are written off when deemed uncollectible. At December 31, 2017, management has determined that no allowance for uncollectible grants receivable is required.

Property and Equipment

The Organization's capitalization policy is to capitalize property and equipment with a purchase price, or donation value, in excess of \$1,500 and which has a useful life greater than one year. Property and equipment purchased are recorded at cost, or fair value at the date of donation, if donated.

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are removed from the asset and accumulated depreciation accounts and any resulting gain or loss is reflected in the statement of activities.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows: furniture and computer equipment, 3 -7 years.

Leasehold improvements are amortized using the straight-line method over the lesser of the useful lives of the improvements or the term of the lease.

Impairment

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If a long-lived asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2017.

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

Intangible Assets

Intangible assets consisted of website development costs totaling \$236,706, which were recorded at cost and amortized over the website's expected useful life of five years. Amortization expense was \$7,896 for 2017. Such intangible assets were fully amortized as of December 31, 2017.

Deferred Rent

Deferred rent, a liability, consists of lease incentives that are being allocated on a straight-line basis over the term of a lease (see Note 4).

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, amounts reported in the financial statements are classified in two self-balancing net asset categories as follows:

- Net assets without donor restrictions are resources currently available for use in general operations, including internal limits imposed by board decisions.
- Net assets with donor restrictions are resources whose use is limited by donor / grantor-imposed restrictions for specific purpose, passage of time, or perpetual donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization.

Recognition of Revenue

Unconditional Contributions

Contributions are reported when made, which is generally when cash (or notification of a beneficial interest) is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

In certain cases, contributions are solicited for support and project accounts that have been previously funded by unrestricted resources in anticipation of receiving donor restricted contributions. Such contributions are immediately recognized as reclassifications to unrestricted support in the period received since the donor-imposed restrictions have already been satisfied.

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

Contributions to Acquire Long-Term Assets

Contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the acquired long-term assets are placed into service.

Conditional Contributions

Conditional contributions received are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional. There were no conditional contributions at December 31, 2017.

Exchange Transactions

The Organization receives revenue from grantors pursuant to grant contracts. The characteristics of each individual grant are considered to determine if a resource provider is receiving commensurate value in return for the resources transferred. A benefit received by the public is treated as a contribution and a benefit received by the resource provider is treated as an exchange transaction. Exchange transaction revenue is recorded as the costs are incurred for cost reimbursement grants or as the services are performed for operating and performance grants. Management has determined that all 2017 grants should be treated as contributions.

Donated Goods and Services

Unconditional contributions of goods are recorded at fair value at the date of donation. Conditional contributions of goods are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the asset is recognized as unconditional. There were no conditional contributions of goods at December 31, 2017.

Contributions of long-term assets, such as property and equipment, are recorded as unrestricted support unless explicit donor stipulations specify how the long-term asset must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used are recognized as restricted support when received and are released from restrictions when the donated assets are placed into service.

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions at their estimated fair values when the services are rendered.

Major Collaboration Partners

During 2017, the Organization had a three major grantors accounted for approximately 81% of total contributions and grants.

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

Advertising Costs

Advertising costs, which are reflected as advertising and promotion, consist primarily of direct advertisements, graphic design, promotional materials, and participation in health fairs, are expensed as incurred. During 2017, advertising costs totaled \$24,340.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for depreciation and occupancy, all expenses are allocated based on an estimate of where time and efforts are made and benefits are received. Depreciation and occupancy are allocated based on estimated usage and square footage.

Tax Exempt Status

The Organization has been organized as a Georgia nonprofit corporation, recognized by the IRS as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2017 and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization only recognizes the tax benefit from an uncertain tax position taken or to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the Organization operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2017.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2015 (its first year of filing).

Credit Risk and Geographic Concentration

At December 31, 2017, three collaboration partners accounted for 89% of the outstanding grants receivable balance. Credit risk associated with grants receivable is considered to be limited due to high historical collection rates and because outstanding amounts are due from

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

collaboration partners supportive of the Organization's mission.

The Organization conducts its operations solely within the state of Georgia, and, therefore, is subject to risks from changes in political and local economic conditions. A change in politics or a downturn in the local economy could cause a decrease in contributions and grants concurrently with an increase in community need for the Organization's services.

Pending Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers the effective date of ASU 2014-09 one year making it effective for the Organization for reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Adoption of this standard is expected to result in the Organization's recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. This ASU is effective for the Organization for reporting periods beginning after December 15, 2019.

Management has not yet determined the impact of these pending accounting pronouncements on the Organization's financial statements.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2017 follows:

Computer equipment	\$	44,203
Leasehold improvements		9,703
Furniture		20,641
		74,547
Less accumulated depreciation and amortization		47,190
Net property and equipment	\$	27,357

Depreciation and amortization expense totaled \$12,006 for 2017.

4. COMMITMENTS

Operating Leases

During 2017, the Organization's lease agreement on its former office suite expired and, in November 2017, the Organization relocated to a new suite within the same building and entered into an operating lease that included certain lease incentives, such as free and escalating rent and a landlord allowance for leasehold improvements and moving expenses. These incentives are being allocated on a straight-line basis over the term of the lease. The difference between the expense and the cash payments plus the unamortized landlord allowance for leasehold improvements is reported as a deferred rent liability. This lease expires in December 2020.

During 2017, the Organization used \$9,703 of a \$15,480 tenant improvement allowance and \$1,925 of a \$4,128 moving allowance. The used portion of the tenant improvement allowance has been capitalized with property and equipment and is being amortized to depreciation and amortization over the term of the lease. The used portion of the moving allowance was recorded as an expense in 2017. The unamortized balance of these lease incentives totaled \$11,016 at December 31, 2017 and the amount of amortization included in depreciation and amortization expense related to these landlord concession totaled \$483 for 2017.

At December 31, 2017, minimum annual lease payments under the facility and equipment lease agreements were as follows:

For the year ended December 31,	
2018	\$ 37,338
2019	38,459
2020	39,618

Rent expense, which includes payments for base rent, deferred rent adjustments and additional ancillary fees such as insurance, utilities, property taxes, and common area maintenance, totaled \$49,033 for facility rental and is included in occupancy expense.

Grant Compliance

Certain grants entered into by the Organization are subject to discretionary review by the grantor agencies, which could result in requests for reimbursements of disallowed costs or noncompliance with grantor restrictions. Currently there are no grantor agency reviews in progress and management believes that the Organization has adhered to the terms of its grants and such reviews, if they occur, are not expected to have a material adverse effect on the Organization's past results. Should the amount of these grants decrease, the Organization may be adversely affected.

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

5. NET ASSETS WITHOUT DONOR RESTRICTIONS

A summary of net assets without donor restrictions at December 31, 2017 were as follows:

Undesignated	\$ 252,615
Designated by the Board	
Board designated for special needs	-
Total net assets without donor restrictions	\$ 252,615

As of December 31, 2017, the board of directors has not chosen to set aside any funds to be drawn upon, pursuant to board approval, in the event of special project needs, financial distress, or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

6. NET ASSETS WITH DONOR RESTRICTIONS

A summary of net assets with donor restrictions at December 31, 2017 were as follows:

Subject to expenditure for specific purpose:	
Clinical trials research	\$ 26,300
Research education	186,064
Total net assets with donor restrictions	\$ 212,364

During 2017, net assets totaling \$107,230 were released from donor restrictions by incurring expenses satisfying the purpose specified by donors.

7. LIQUIDITY AND AVAILABILITY DISCLOSURES

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Periodic meetings are held by the Finance Committee to review internal financial statements and budget to actual comparisons. The Organization does not commit to expenditures if cash is not available to pay the expenditures immediately.

Georgia Center for Oncology Research and Education, Inc.

Notes to Financial Statements (Continued)

Following is a schedule, as of December 31, 2017, reflected the financial assets available to meet cash needs for general expenditures within one year:

Financial assets, at year end:	
Cash	\$ 407,045
Grants receivable expected to be collected within one year	551,921
	<u>958,966</u>
Less:	
Donor-imposed restrictions likely to be met by expenditure within one year making financial assets unavailable for general expenditure	(212,364)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 746,602</u>

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2018, the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated. Management has not identified any items requiring recognition or disclosure.
