# PEDIATRIC CANCER RESEARCH FOUNDATION
# A NONPROFIT ORGANIZATION

## FINANCIAL STATEMENTS

December 31, 2019
With Comparative Totals for 2018

WINDES
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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pediatric Cancer Research Foundation

## Report on the Financial Statements

We have audited the accompanying financial statements of Pediatric Cancer Research Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pediatric Cancer Research Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, during the year ended December 31, 2019, Pediatric Cancer Research Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited the financial statements of Pediatric Cancer Research Foundation as of and for the year ended December 31, 2018, and we have expressed an unmodified opinion on those statements in our report dated June 27, 2019. The summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects with the 2018 audited financial statements from which it has been derived.

Windes, Inc.

Irvine, California
May 14, 2020

## PEDIATRIC CANCER RESEARCH FOUNDATION

## STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2019
## (WITH COMPARATIVE TOTALS FOR 2018)

### ASSETS

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Revenue:** | | |
| Cash and cash equivalents | $ 2,448,231 | $ 1,463,009 |
| Investments | 400,000 | 750,000 |
| Contributions receivable | 141,286 | 523,678 |
| Other assets | 23,483 | 57,061 |
| Property and equipment, net | 27,020 | 70,804 |
| **TOTAL ASSETS** | $ 3,040,020 | $ 2,864,552 |

### LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 53,326 | $ 119,012 |
| Grants payable | 696,689 | 364,381 |
| Deferred revenue | 33,570 | 31,228 |
| **TOTAL LIABILITIES** | 783,585 | 514,621 |
| **COMMITMENTS AND CONTINGENCIES** (Note 5) | | |
| **NET ASSETS WITHOUT DONOR RESTRICTIONS** | 2,256,435 | 2,349,931 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 3,040,020 | $ 2,864,552 |

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

**PEDIATRIC CANCER RESEARCH FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(WITH COMPARATIVE TOTALS FOR 2018)**

| | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|---|---|---|
| Revenue: | | |
| General public support | $ 1,703,148 | $ 1,719,912 |
| Special events, net of direct costs of $1,293,039 in 2019 and $1,244,628 in 2018 | 1,258,757 | 1,029,306 |
| International symposium | - | 277,341 |
| Total revenue and support | 2,961,905 | 3,026,559 |
| Expenses: | | |
| Program services: | | |
| Pediatric cancer research | 2,424,143 | 2,421,019 |
| Support services: | | |
| Management and general | 214,946 | 201,534 |
| Fundraising | 416,312 | 469,407 |
| Total expenses | 3,055,401 | 3,091,960 |
| Change in net assets | (93,496) | (65,401) |
| Net assets without donor restrictions, beginning of year | 2,349,931 | 2,415,332 |
| Net assets without donor restrictions, end of year | $ 2,256,435 | $ 2,349,931 |

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

## PEDIATRIC CANCER RESEARCH FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2019
## (WITH COMPARATIVE TOTALS FOR 2018)

| | **Program Services** | **Support Services** | | | |
|---|---|---|---|---|---|
| Revenue: | **Pediatric Cancer Research** | **Management and General** | **Fundraising** | **2019 Total** | **2018 Total** |
| Grants for pediatric cancer research | $ 2,207,324 | $ - | $ - | $ 2,207,324 | $ 1,992,289 |
| Other program services and support | 20,985 | - | - | 20,985 | 269,591 |
| Salaries and related costs | 166,750 | 75,168 | 162,703 | 404,621 | 388,948 |
| Postage, printing, and supplies | - | 9,405 | 26,542 | 35,947 | 40,414 |
| Rent and utilities | - | 28,838 | 28,838 | 57,676 | 54,942 |
| Professional services | 18,776 | 37,271 | 56,900 | 112,947 | 102,370 |
| Public relations and marketing | - | - | 55,600 | 55,600 | 102,207 |
| Miscellaneous | 9,975 | 57,968 | 66,840 | 134,783 | 87,175 |
| Total expenses before depreciation | 2,423,810 | 208,650 | 397,423 | 3,029,883 | 3,037,936 |
| Depreciation | 333 | 6,296 | 18,889 | 25,518 | 54,024 |
| Total expenses | $ 2,424,143 | $ 214,946 | $ 416,312 | $ 3,055,401 | $ 3,091,960 |

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

## PEDIATRIC CANCER RESEARCH FOUNDATION

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2019
## (WITH COMPARATIVE TOTALS FOR 2018)

| | For the Year Ended December 31, 2019 | For the Year Ended December 31, 2018 |
|---|---|---|
| **Revenue:** | | |
| Change in net assets | $ (93,496) | $ (65,401) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation expense | 25,518 | 54,024 |
| Loss on disposal of property and equipment | 18,266 | - |
| Changes in assets and liabilities: | | |
| Contributions receivable | 382,392 | (470,288) |
| Other assets | 33,578 | 43,869 |
| Accounts payable and accrued expenses | (65,686) | (32,044) |
| Grants payable | 332,308 | (21,734) |
| Deferred revenue | 2,342 | (7,991) |
| Net Cash Provided By (Used In) Operating Activities | 635,222 | (499,565) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from the sale and maturity of investments | 600,000 | 547,462 |
| Purchases of investments | (250,000) | (500,000) |
| Purchases of property and equipment | - | (55,890) |
| Net Cash Provided By (Used In) Investing Activities | 350,000 | (8,428) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 985,222 | (507,993) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 1,463,009 | 1,971,002 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ 2,448,231 | $ 1,463,009 |

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

## PEDIATRIC CANCER RESEARCH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS
## DECEMBER 31, 2019
## (WITH COMPARATIVE TOTALS FOR 2018)

### NOTE 1 – Summary of Significant Accounting Policies

***Organization and Business Activity of the Reporting Entity***

Pediatric Cancer Research Foundation (the Foundation) is a nonprofit public benefit corporation incorporated on December 2, 1982 under the laws of the state of California. The Foundation is headquartered in Irvine, California. The Foundation is primarily engaged in fundraising activities and awarding grants to organizations for the purpose of funding pediatric cancer research.

***Recently Adopted Accounting Standard***

In 2019, the Foundation adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires 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. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

***Basis of Presentation***

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

## PEDIATRIC CANCER RESEARCH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS
## DECEMBER 31, 2019
## (WITH COMPARATIVE TOTALS FOR 2018)

### NOTE 1 – Summary of Significant Accounting Policies (Continued)

***Financial Statement Presentation***

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation has no net assets with donor restrictions as of December 31, 2019 and 2018.

> **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions.
>
> **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. As restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When donor restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Foundation reports both the revenue and the related expense in the net assets without donor restrictions category.
>
> Net assets with donor restrictions also includes net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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 could differ from those estimates.

**PEDIATRIC CANCER RESEARCH FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS**
**DECEMBER 31, 2019**
**(WITH COMPARATIVE TOTALS FOR 2018)**

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Prior-Period Comparative Information*

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

### *Cash and Cash Equivalents*

The Foundation includes in cash all cash accounts, certificates of deposit, money market accounts, and all highly liquid investments with original maturities of three months or less.

### *Investments*

The Foundation's investments are comprised of certificates of deposit set to mature in 2020. Certificates of deposit with original maturities of less than 90 days are included with cash and cash equivalents. Certificates of deposit with original maturities of greater than 90 days are included in investments. Certificates of deposit are recorded at cost, which approximates fair value.

### *Contributions Receivable*

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the collectability of the receivables. It is the Foundation's policy to write off uncollectible receivables when management determines the receivable will not be collected. There were no write-offs of receivables in 2019 and 2018. At December 31, 2019 and 2018, management considers receivables fully collectible.

### *Other Assets*

Certain payments to vendors reflect costs or deposits applicable to future accounting periods, are recorded as prepaid items, and are included in other assets in the statement of financial position.

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Property and Equipment*

Property and equipment are stated at cost if purchased and fair value if donated, and depreciated using the straight-line method over the estimated useful lives (3-5 years) of the assets. Leasehold improvements are amortized over the lesser of their useful lives or the lease term. Expenditures for repairs and maintenance are charges to supporting services when incurred; renewals and betterments are capitalized. Upon sale or disposal of property and equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the statement of activities and changes in net assets.

### *Impairment of Long-Lived Assets*

The Foundation's long-lived assets include property and equipment. In accordance with generally accepted accounting principles, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flows from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2019 and 2018, management did not identify any material impairment of the Foundation's long-lived assets.

### *Grants Payable*

Grants payable consists of amounts awarded but not paid as of December 31, 2019 and 2018.

Due to grant agreements requiring certain concessions, budgets, and forecasts from the grantees, grants are considered to have been awarded at the time the Foundation and the grantee have executed the grant agreement.

### *Deferred Revenue*

Deferred revenue represents funds received in advance of special events to be held in the subsequent year.

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Revenue Recognition*

Contributions are recognized as revenue when the Foundation receives an unconditional "promise to pay" from the donor.

All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as additions to net assets with donor restrictions. When a restriction has been satisfied, the related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Revenue from special events is recognized when the activities are held.

### *Donated Services and Materials*

The Foundation receives a substantial amount of services donated by individuals interested in the Foundation's objectives. Services provided generally involve the contribution of time to organize and administer fundraising campaigns and to provide necessary services. The value of such volunteers' services has not been reflected in the accompanying financial statements since it does not meet the criteria for revenue recognition.

Donated materials and assets are recorded at their fair value at the date of the gift. Donated materials and assets related to special events aggregated $503,510 and $491,682 for the years ended December 31, 2019 and 2018, respectively, and are included with special events in the statements of activities and changes in net assets.

### *Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Significant expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|---|
| Salaries and related expenses | Time and effort |
| Utilities | Usage |
| Depreciation | Usage by square footage |
| Professional services | Time and effort |

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Income Taxes*

The Foundation qualifies as a tax-exempt foundation under Section 501(c)(3) of the Internal Revenue Code and under the corresponding tax codes of California. The Foundation is also registered in the states of New York, New Jersey, and Illinois.

FASB ASC Topic 740, Income Taxes, requires management to evaluate the tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2019, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by the taxing jurisdictions. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

### *Recently Issued Accounting Standard*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In October 2019, the FASB approved a deferral of the effective date of Topic 842 until annual reporting periods beginning after December 15, 2020 (fiscal year ending December 31, 2021 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

### *Subsequent Events*

Management has evaluated the impact of any subsequent events through May 14, 2020, the date on which the accompanying financial statements were available to be issued.

On March 11, 2020, the World Health Organization ("WHO") declared COVID-19 a pandemic, and national and local governments have implemented a range of policies and actions to combat it. The extent of the impact of COVID-19 on the economy and the Foundation's operations are highly uncertain and cannot be predicted at this time. Management will continue to monitor developments and is in the process of evaluating their impact on the Foundation's activities. If the overall economy is impacted for an extended period, the Foundation's financial position and operating results may be materially affected.

## NOTE 2 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|---|---|
| Financial assets at year-end: | |
| Cash and cash equivalents | $ 2,448,231 |
| Investments | 400,000 |
| Accounts receivable | 141,286 |
| | $ 2,989,517 |

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## NOTE 3 – Property and Equipment

Property and equipment is comprised of the following at December 31:

| | 2019 | 2018 |
|---|---|---|
| Equipment | $ 12,566 | $ 12,566 |
| Computer software | 29,000 | 58,890 |
| Vehicles | 16,785 | 16,785 |
| Leasehold improvements | 3,064 | 3,064 |
| Total property and equipment | 61,415 | 91,305 |
| Less accumulated depreciation | (34,395) | (20,501) |
| Total property and equipment, net | $ 27,020 | $ 70,804 |

For the years ended December 31, 2019 and 2018, the Foundation recorded depreciation expense of $25,518 and $54,024, respectively.

## NOTE 4 – Concentrations

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to $250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Foundation is exposed to any significant related credit risk.

## NOTE 5 – Commitments and Contingencies

*Operating Leases*

The Foundation leases its facility under a lease agreement dated April 20, 2017. The minimum monthly base rent as of December 31, 2019 is $3,835. The lease agreement provides for annual increases based on predetermined amounts. In addition to the base rent, the Foundation pays common area maintenance charges, which are included in rent expense. Rent expense for the years ended December 31, 2019 and 2018, was $47,309 and $47,040, respectively. The future minimum payments under the lease are as follows for the years ended:

| Year Ending December 31, | |
|---|---|
| 2020 | $ 46,585 |
| 2021 | 47,941 |
| 2022 | 28,427 |
| | $ 122,953 |

## NOTE 6 – Employee Benefit Plan

The Foundation adopted a SIMPLE IRA retirement program. The Foundation expects to make matching contributions of 1% to 3%, with a mandatory matching contribution of 3% to be made in at least one year of every three-year period. The Foundation made $11,361 and $7,710 in matching contributions under the SIMPLE IRA retirement program during the years ended December 31, 2019 and 2018, respectively.