

CURESEARCH FOR CHILDREN'S CANCER
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018 AND 2017

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Independent Auditor's Report

To the Board of Directors
CureSearch for Children's Cancer

We have audited the accompanying financial statements of CureSearch for Children's Cancer (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CureSearch for Children's Cancer as of December 31, 2018 and 2017 and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
May 31, 2019

CURESEARCH FOR CHILDREN'S CANCER
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 164,739	\$ 455,098
Accounts receivable	462,976	220,474
Contributions receivable	121,641	143,138
Investments, current portion	2,450,951	2,860,860
Prepaid expenses	21,465	33,675
Accrued interest	15,154	20,950
Total Current Assets	<u>3,236,926</u>	<u>3,734,195</u>
Property , net of accumulated depreciation	<u>20,512</u>	<u>55,371</u>
Other Assets		
Investments, long-term portion	1,500,000	1,500,000
Deposits	24,802	24,802
Total Other Assets	<u>1,524,802</u>	<u>1,524,802</u>
Total Assets	<u>\$ 4,782,240</u>	<u>\$ 5,314,368</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 147,795	\$ 226,950
Deferred revenue	33,034	42,070
Deferred rent, current portion	37,003	45,849
Total Current Liabilities	<u>217,832</u>	<u>314,869</u>
Non-Current Liabilities		
Deferred rent, non-current portion	<u>-0-</u>	<u>37,003</u>
Total Liabilities	<u>217,832</u>	<u>351,872</u>
Commitments (Notes 7, 8 and 9)		
Net Assets		
Without donor restrictions	1,396,519	416,635
With donor restrictions	3,167,889	4,545,861
Total Net Assets	<u>4,564,408</u>	<u>4,962,496</u>
Total Liabilities and Net Assets	<u>\$ 4,782,240</u>	<u>\$ 5,314,368</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,097,756	\$ 373,618	\$ 1,471,374
Institutional grants and gifts	5,000	300,000	305,000
Cause and marketing revenue	72,413	21,641	94,054
Special events, net	1,516,853	601,722	2,118,575
Net investment return	5,960	(113,850)	(107,890)
Other revenue	250,791	-0-	250,791
Net assets released from restrictions:			
Satisfaction of program restrictions	2,533,965	(2,533,965)	-0-
Satisfaction of time restrictions	27,138	(27,138)	-0-
Total Support and Revenue	5,509,876	(1,377,972)	4,131,904
Expenses			
Program services	3,194,025	-0-	3,194,025
Support services			
Fundraising	670,175	-0-	670,175
Management and general	665,792	-0-	665,792
Total Support Services	1,335,967	-0-	1,335,967
Total Expenses	4,529,992	-0-	4,529,992
Change in Net Assets	979,884	(1,377,972)	(398,088)
Net Assets at Beginning of Year	416,635	4,545,861	4,962,496
Net Assets at End of Year	\$ 1,396,519	\$ 3,167,889	\$ 4,564,408

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 865,525	\$ 133,580	\$ 999,105
6,500	684,750	691,250
79,027	27,138	106,165
1,670,600	801,108	2,471,708
47,890	299,014	346,904
36,875	-0-	36,875
2,071,646	(2,071,646)	-0-
108,308	(108,308)	-0-
<u>4,886,371</u>	<u>(234,364)</u>	<u>4,652,007</u>
<u>3,027,727</u>	-0-	<u>3,027,727</u>
1,464,315	-0-	1,464,315
668,187	-0-	668,187
<u>2,132,502</u>	-0-	<u>2,132,502</u>
<u>5,160,229</u>	-0-	<u>5,160,229</u>
(273,858)	(234,364)	(508,222)
<u>690,493</u>	<u>4,780,225</u>	<u>5,470,718</u>
<u>\$ 416,635</u>	<u>\$ 4,545,861</u>	<u>\$ 4,962,496</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	2018			
	Program Services	Fundraising	Management and General	Total
Personnel expenses				
Salaries	\$ 1,021,853	\$ 336,828	\$ 321,277	\$ 1,679,958
Payroll taxes	74,524	24,565	23,431	122,520
Pension	12,529	4,130	3,939	20,598
Other fringe benefits	68,228	22,490	21,451	112,169
Other personnel expenses	2,179	718	685	3,582
Total personnel expenses	1,179,313	388,731	370,783	1,938,827
Programmatic initiatives	1,448,146	-0-	-0-	1,448,146
Rent	97,882	32,264	30,775	160,921
Professional fees, other	86,447	21,079	20,105	127,631
Software maintenance	77,298	25,479	24,303	127,080
Public relations	102,690	7,235	8,510	118,435
Travel expenses	22,211	74,821	14,364	111,396
Accounting	-0-	-0-	84,490	84,490
Special events	-0-	84,119	-0-	84,119
Bank and merchant fees	-0-	60,477	1,945	62,422
Legal	-0-	-0-	60,000	60,000
Insurance	35,193	11,600	11,065	57,858
Meetings and conferences	37,261	13,026	2,789	53,076
Telecommunications	22,617	7,455	7,111	37,183
Depreciation	21,203	6,989	6,666	34,858
Dues and subscriptions	20,663	6,811	6,497	33,971
Printing and postage	15,964	5,262	5,019	26,245
Information technology	11,484	3,785	3,611	18,880
Registrations, permits and insurance	7,114	2,345	2,237	11,696
Office supplies	3,091	1,019	972	5,082
Equipment rental	2,806	925	882	4,613
Repairs and maintenance	2,102	693	661	3,456
Income taxes	-0-	-0-	1,243	1,243
Miscellaneous	540	179	1,764	2,483
Total Expenses	3,194,025	754,294	665,792	4,614,111
Less: specials events expenses netted with special events revenue in the statements of activities	-0-	(84,119)	-0-	(84,119)
Total expenses reported in the statements of activities	\$ 3,194,025	\$ 670,175	\$ 665,792	\$ 4,529,992

2017

Program Services	Fundraising	Management and General	Total
\$ 1,051,255	\$ 852,982	\$ 339,152	\$ 2,243,389
74,718	60,626	24,105	159,449
25,837	20,964	8,335	55,136
86,326	70,044	27,850	184,220
2,725	2,211	879	5,815
<hr/> 1,240,861	<hr/> 1,006,827	<hr/> 400,321	<hr/> 2,648,009
1,404,136	-0-	-0-	1,404,136
70,823	57,465	22,849	151,137
68,159	36,964	14,697	119,820
67,253	54,568	21,697	143,518
24,289	12,027	5,528	41,844
20,245	115,784	15,795	151,824
-0-	-0-	86,078	86,078
-0-	145,111	-0-	145,111
-0-	76,440	2,957	79,397
-0-	-0-	56,134	56,134
25,803	20,936	8,324	55,063
28,248	20,087	8,438	56,773
20,637	16,745	6,658	44,040
13,586	11,023	4,383	28,992
7,524	6,105	2,427	16,056
10,377	8,419	3,348	22,144
10,114	8,207	3,263	21,584
3,476	2,820	1,121	7,417
4,825	3,915	1,557	10,297
4,995	4,053	1,611	10,659
1,833	1,487	591	3,911
-0-	-0-	-0-	-0-
543	443	410	1,396
<hr/> 3,027,727	<hr/> 1,609,426	<hr/> 668,187	<hr/> 5,305,340
 -0-	 (145,111)	 -0-	 (145,111)
<hr/> <hr/> \$ 3,027,727	<hr/> <hr/> \$ 1,464,315	<hr/> <hr/> \$ 668,187	<hr/> <hr/> \$ 5,160,229

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

CURESEARCH FOR CHILDREN'S CANCER
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (398,088)	\$ (508,222)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	34,858	28,992
Net losses (gains) on investments	194,602	(236,778)
Donated stock contributions	(17,219)	(31,051)
Changes in operating assets and liabilities:		
. Accounts receivable	(242,502)	156,104
Contributions receivable	21,497	(34,480)
Prepaid expenses	12,210	57,159
Accrued interest	5,796	(11,086)
. Accounts payable and accrued expenses	(79,155)	(32,670)
Deferred revenue	(9,036)	6,664
. Deferred rent	(45,849)	(34,650)
Deferred compensation	-0-	(147,634)
Net Cash Used in Operating Activities	<u>(522,886)</u>	<u>(787,652)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	479,126	1,043,664
Purchases of investments	(263,818)	(135,052)
Net proceeds from sale of donated stock	17,219	31,051
Decrease in assets held in trust	-0-	147,634
Net Cash Provided by Investing Activities	<u>232,527</u>	<u>1,087,297</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(290,359)	299,645
Cash and Cash Equivalents at Beginning of Year	<u>455,098</u>	<u>155,453</u>
Cash and Cash Equivalents at End of Year	<u>\$ 164,739</u>	<u>\$ 455,098</u>
Supplemental Disclosures of Cash Flow Information:		
Income taxes paid	<u>\$ 1,317</u>	<u>\$ -0-</u>

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

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies

CureSearch for Children's Cancer (CureSearch) was incorporated under the laws of the state of California in 1987 and has been recognized by the Internal Revenue Service (IRS) as a tax-exempt, publicly supported organization, as defined by section 501(c)(3) of the Internal Revenue Code (IRC), and, therefore is not a private foundation. CureSearch was previously known as the National Childhood Cancer Foundation.

CureSearch's mission is to fund and monitor targeted, innovative pediatric cancer research that achieves measurable results in an expedited timeframe. To do so, CureSearch supports research grants at all stages of the research continuum - basic science through Young Investigator Awards, translational research through Acceleration Initiative Awards, and clinical trials through Catapult Awards. CureSearch provides educational resources to parents and caregivers, including easy-to-understand information on diagnosis and treatment, educational videos, and an app to ease the caregiver process. CureSearch raises funds through individuals, corporations, private foundations, and special events.

The accounting and reporting policies of CureSearch conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Financial Statement Presentation: CureSearch 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.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: CureSearch classifies certain investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents. Cash and cash equivalents designated and held for investment purposes are included in investments and are not considered cash and cash equivalents for cash flow purposes.

Accounts Receivable: Accounts receivable arise from services rendered and are carried at original invoice amount less an estimate made for doubtful receivables. CureSearch utilizes the reserve method of accounting for bad debts. Management establishes the allowance for doubtful accounts based on industry experience and its historical collection experience with individual accounts. Receivables are written off by management when, in their determination, all reasonable collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when collected. Management has determined that all accounts receivable at December 31, 2018 and 2017 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

Contributions Receivable: Unconditional promises to give are recorded as contributions receivable and recognized as revenue in the period received. A provision is made for uncollectible contributions based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding contributions receivable. Contributions receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. Management has determined that all contributions receivable at December 31, 2018 and 2017 are fully collectible and therefore, has not recorded an allowance for doubtful accounts.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments, whose fair values are not readily determinable, are recorded at cost. Fair value is defined 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. Realized and unrealized gains and losses on investments are reported in the statements of activities as part of net investment return.

CureSearch invests in a professionally managed portfolio that may contain corporate bonds, mutual funds, money market funds and other investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Property and Depreciation: Property is recorded at cost or, if donated, at fair value at the date of contribution, less accumulated depreciation. CureSearch capitalizes all property acquisitions in excess of \$5,000 having an estimated useful life greater than one year. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets as follows:

Furniture and fixtures	8 years
Leasehold improvements	3-5 years
Computers and equipment	3 years

Deferred Rent: CureSearch entered into a lease agreement for office space which provided for a period of rent abatement and contains annual rent escalations. As a result, CureSearch is recognizing rent expense on a straight-line basis over the term of the lease. Deferred rent represents the difference between rent expense recognized to date and the actual payments made to date.

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition: CureSearch derives revenue primarily from fee for service contracts, grants, contributions, and investment income. Fee for service contracts and investment income are recognized as revenue when earned. Unconditional contributions are recognized in the year the contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants and contributions earned but not yet received are recorded as accounts/contributions receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue.

Contributions: Contributions received are recorded without donor restrictions or with donor restriction support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates.

Contributed Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by CureSearch.

During the year ended December 31, 2017, in-kind contribution revenue consisted of consulting services and donated goods in the amount of \$40,505. There was no in-kind contribution revenue for the year ended December 31, 2018.

Advertising: Advertising costs are charged to operations when incurred. CureSearch had no significant direct-response advertising. Advertising expense for the years ended December 31, 2018 and 2017 totaled \$13,762 and \$12,571 which is included in public relations on the statements of functional expenses.

Income Taxes: CureSearch is exempt from federal and state income taxes under IRC §501(c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CureSearch's unrelated business income for the year ended December 31, 2018 is related to parking and commuter benefits paid on behalf of employees, which under the new tax law effective January 1, 2018, is subject to tax. CureSearch had no unrelated business income for the year ended December 31, 2017. Federal and state income tax expense was \$1,243 and \$-0- for the years ended December 31, 2018 and 2017, respectively, and is included in management and general expenses in the statements activities.

CureSearch's federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements: During the year ended December 31, 2018, CureSearch implemented the Financial Accounting Standards Board's (FASB) Accounting Standards Updated (ASU) No. 2016-14, *Not-For-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* which is effective for fiscal year beginning after December 15, 2017. Accordingly, the beginning balances of the donor restricted net asset categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. The ASU requires additional disclosures in the areas of liquidity and requires reclassification of investment expenses which are netted in net investment return to include internal investment expenses.

The FASB issued ASU 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2019. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain exercise and option to extend the lease or not to exercise an option to terminate the lease. The assets will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact on any leases.

Reclassifications: Certain amounts previously reported in the 2017 financial statements have been reclassified to conform to financial statement presentation for the year ended December 31, 2018.

Subsequent Events: In preparing these financial statements, CureSearch has evaluated events and transactions for potential recognition or disclosure through May 31, 2019, the date the financial statements were available to be issued. During the period from January 1, 2019 through May 31, 2019, CureSearch did not have any material recognizable subsequent events.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 2: Liquidity and Availability of Funds

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

	2018	2017
Cash and cash equivalents	\$ 164,739	\$ 455,098
Accounts receivable	462,976	220,474
Contributions receivable	121,641	143,138
Investments, current portion	2,450,951	2,860,860
Less: net assets with donor restrictions - specific purpose	<u>(1,646,248)</u>	<u>(3,018,723)</u>
Financial Assets Available for General Expenditure	<u>\$ 1,554,059</u>	<u>\$ 660,847</u>

As part of CureSearch's liquidity management plan, CureSearch invests cash in excess of daily requirements in short-term investments and money market funds.

Note 3: Investments

A summary of the investment portfolio is as follows at December 31, 2018 and 2017:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Corporate bonds, fixed income	\$ 1,565,913	\$ 1,588,230	\$ 1,837,617	\$ 1,853,991
Exchange traded funds, equity	1,232,855	663,668	1,525,719	735,849
Exchange traded funds, fixed income	437,976	413,201	447,253	434,391
Money market funds	376,267	376,267	201,178	201,178
US Government obligations	335,923	339,457	339,016	340,954
Cash and cash equivalents	2,017	2,017	-0-	-0-
Common stocks	-0-	-0-	10,077	175
Total investments	3,950,951	<u>\$ 3,382,840</u>	4,360,860	<u>\$ 3,566,538</u>
Investments classified as long-term:				
Endowment funds	<u>1,500,000</u>		<u>1,500,000</u>	
Investments, current portion	<u>\$ 2,450,951</u>		<u>\$ 2,860,860</u>	

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 3: Investments (Continued)

Net investment return for the year ended December 31, 2018 and 2017 consisted of the following:

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 66,135	\$ 41,050	\$ 107,185	\$ 60,155	\$ 73,547	\$ 133,702
Net gains (losses) on investments	(50,158)	(144,444)	(194,602)	(3,861)	240,639	236,778
Investment expenses	(10,017)	(10,456)	(20,473)	(8,404)	(15,172)	(23,576)
	<u>\$ 5,960</u>	<u>\$ (113,850)</u>	<u>\$ (107,890)</u>	<u>\$ 47,890</u>	<u>\$ 299,014</u>	<u>\$ 346,904</u>

Note 4: Fair Value Measurement

Generally Accepted Accounting Principles (GAAP) establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 4: Fair Value Measurement (Continued)

The valuation techniques used by CureSearch include the following:

Money Market Funds and Cash and Cash Equivalents: Valued at original cost, which equals fair value.

Commons Stocks: Valued at closing price reported on the active market in which the individual securities are traded.

Exchange-Traded Funds: Valued at the last sales price reported in the active market in which the individual fund is traded.

Corporate Bonds and US Government Obligations: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, CureSearch performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy, as of December 31, 2018:

December 31, 2018	Total	Level 1	Level 2	Level 3
Corporate bonds, fixed income	\$ 1,565,913	\$ -0-	\$ 1,565,913	\$ -0-
Exchange traded funds, equity	1,232,855	1,232,855	-0-	-0-
Exchange traded funds, fixed income	437,976	437,976	-0-	-0-
Money market funds	376,267	376,267	-0-	-0-
US Government obligations	335,923	-0-	335,923	-0-
Cash and cash equivalents	2,017	2,017	-0-	-0-
	<u>\$ 3,950,951</u>	<u>\$ 2,049,115</u>	<u>\$ 1,901,836</u>	<u>\$ -0-</u>

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy, as of December 31, 2017:

December 31, 2017	Total	Level 1	Level 2	Level 3
Corporate bonds, fixed income	\$ 1,837,617	\$ -0-	\$ 1,837,617	\$ -0-
Exchange traded funds, equity	1,525,719	1,525,719	-0-	-0-
Exchange traded funds, fixed income	447,253	447,253	-0-	-0-
Money market funds	201,178	201,178	-0-	-0-
US Government obligations	339,016	-0-	339,016	-0-
Common stocks	10,077	10,077	-0-	-0-
	<u>\$ 4,360,860</u>	<u>\$ 2,184,227</u>	<u>\$ 2,176,633</u>	<u>\$ -0-</u>

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Notes to Financial Statements
December 31, 2018 and 2017

Note 5: Property

Property consisted of the following at December 31, 2018 and 2017:

	2018	2017
Furniture and fixtures	\$ 18,545	\$ 18,545
Leasehold improvements	171,695	171,695
Computer and equipment	82,447	110,410
	<u>272,687</u>	<u>300,650</u>
Less: Accumulated depreciation	252,175	245,279
	<u>\$ 20,512</u>	<u>\$ 55,371</u>

Depreciation expense was \$34,858 and \$28,992 for the years ended December 31, 2018 and 2017, respectively.

Note 6: Net Assets with Donor Restrictions

CureSearch has several restricted funds, some which may be expended but only for the purpose established by the respective donors and others which cannot be expended except for the net investment return earned on those funds. Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

	2017		Current Year Activity		2018	
	Contributions	Net Investment Return	Released from Restrictions	Contributions	Net Investment Return	Released from Restrictions
Subject to expenditure for a specified purpose:						
Catapult	\$ 1,069,866	\$ 295,000	\$ -0-	\$ (1,093,409)	\$ 271,457	
Young investigators	225,000	-0-	-0-	(111,165)	113,835	
Education & resources	29,184	10,000	-0-	(19,525)	19,659	
Acceleration initiative	188,143	300,000	-0-	(488,143)	-0-	
Other research	1,506,530	670,340	(113,850)	(821,723)	1,241,297	
	<u>3,018,723</u>	<u>1,275,340</u>	<u>(113,850)</u>	<u>(2,533,965)</u>	<u>1,646,248</u>	
Subject to the passage of time:						
Time restrictions	27,138	21,641	-0-	(27,138)	21,641	
	<u>3,045,861</u>	<u>1,296,981</u>	<u>(113,850)</u>	<u>(2,561,103)</u>	<u>1,667,889</u>	
Subject to spending policy or appropriation						
Endowment - Corn Fund	1,500,000	-0-	-0-	-0-	1,500,000	
	<u>\$ 4,545,861</u>	<u>\$ 1,296,981</u>	<u>\$ (113,850)</u>	<u>\$ (2,561,103)</u>	<u>\$ 3,167,889</u>	

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Notes to Financial Statements
December 31, 2018 and 2017

Note 6: Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions were available for the following purposes as of December 31, 2017:

	2016		Current Year Activity			2017	
		Contributions	Transfers	Net Investment Return	Released from Restrictions		
Subject to expenditure for a specified purpose:							
Catapult	\$ 202,529	\$ 275,424	\$ 1,000,000	\$ -0-	\$ (408,087)	\$ 1,069,866	
Young investigators	227,490	225,000	(39,990)	20,967	(208,467)	225,000	
Acceleration initiative	452,013	425,000	39,990	-0-	(728,860)	188,143	
Education & resources	54,382	22,251	-0-	-0-	(47,449)	29,184	
Other research	1,235,503	671,763	-0-	278,047	(678,783)	1,506,530	
	<u>2,171,917</u>	<u>1,619,438</u>	<u>1,000,000</u>	<u>299,014</u>	<u>(2,071,646)</u>	<u>3,018,723</u>	
Subject to the passage of time:							
Time restrictions	108,308	27,138	-0-	-0-	(108,308)	27,138	
	<u>2,280,225</u>	<u>1,646,576</u>	<u>1,000,000</u>	<u>299,014</u>	<u>(2,179,954)</u>	<u>3,045,861</u>	
Subject to spending policy or appropriation							
Endowment - Corn Fund	1,500,000	-0-	-0-	-0-	-0-	1,500,000	
Endowment - Schow Fund	1,000,000	-0-	(1,000,000)	-0-	-0-	-0-	
	<u>\$ 4,780,225</u>	<u>\$ 1,646,576</u>	<u>\$ -0-</u>	<u>\$ 299,014</u>	<u>\$ (2,179,954)</u>	<u>\$ 4,545,861</u>	

CureSearch maintains the following endowment fund:

Corn Fund - This fund was established by The Lovick P. and Elizabeth T. Corn Fund of the Bradley-Turner Foundation and the Beloco Foundation. The principal is considered permanently restricted in nature. CureSearch can use the investment income, net of expenses, to fund research by physicians/scientists on the faculty of the Section of Pediatric Hematology/Oncology at the Medical College of Georgia. Specific research programs and projects to be funded are to be determined by a Scientific Review Panel, as defined in the agreement, on an annual basis. Based on the occurrence of certain circumstances, as defined in the agreement, the awards can be made to physicians/scientists at other similar tax exempt entities. In addition, expenses incurred by CureSearch to administer this endowment fund may be reimbursed out of the investment income, up to a maximum of 5% of the current year's investment income. The accumulated income and gains (losses) are recorded as net assets with donor restrictions that are considered temporary in nature until released.

During the year ended December 31, 2017, the donor of the Schow Fund agreed to change this fund from an endowment fund for research fellowships and young investigator awards to a donor restricted fund for the purpose of supporting the Catapult initiative. As a result, this has been shown as a transfer from net assets with donor restrictions subject to spending policy or appropriation to net assets with donor restrictions subject to expenditure for a specified purpose.

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Note 6: Net Assets with Donor Restrictions (Continued)

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The board of directors of CureSearch has interpreted UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CureSearch classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by CureSearch in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CureSearch considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) other resources of CureSearch.

Investment Return Objectives, Risk Parameters and Strategies

CureSearch has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of not more than 5%, while growing the funds if possible. Therefore, CureSearch expects its endowment assets, over time, to produce an average annual rate of return that is higher than the inflation rate in order to maintain the purchasing power of the endowment funds. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

CureSearch has a policy of appropriating for distribution each year not more than 5% of a three-year average of the endowment fund's fair value. In establishing this policy, CureSearch considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. CureSearch's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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Notes to Financial Statements
December 31, 2018 and 2017

Note 6: Net Assets with Donor Restrictions (Continued)

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 is as follows:

	With Donor Restrictions			Total Net Endowment Assets
	Without Donor Restriction	Temporary in Nature	Permanent in Nature	
<u>December 31, 2018</u>				
Corn Fund	\$ -0-	\$ 438,383	\$ 1,500,000	\$ 1,938,383
<u>December 31, 2017</u>				
Corn Fund	\$ -0-	\$ 652,233	\$ 1,500,000	\$ 2,152,233

Changes in endowment net assets as of and for the years ended December 31, 2018 and 2017 are as follows:

	With Donor Restrictions			Total Net Endowment Assets
	Without Donor Restrictions	Temporary in Nature	Permanent in Nature	
Endowment net assets, December 31, 2016	\$ -0-	\$ 469,834	\$ 2,500,000	\$ 2,969,834
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	277,370	-0-	277,370
Transfer of Schow Fund	-0-	-0-	(1,000,000)	(1,000,000)
Amounts appropriated for expenditure	-0-	(94,971)	-0-	(94,971)
Endowment net assets, December 31, 2017	-0-	652,233	1,500,000	2,152,233
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	(113,850)	-0-	(113,850)
Amounts appropriated for expenditure	-0-	(100,000)	-0-	(100,000)
Endowment net assets, December 31, 2018	\$ -0-	\$ 438,383	\$ 1,500,000	\$ 1,938,383

Note 7: Lease Commitments

Office Leases: CureSearch leases office space under a non-cancellable lease for its office located in Bethesda, Maryland, which expires in September 2019. The basic annual rent of the lease is subject to a 3% increase per year. In addition to a base monthly rent payment, the lease requires that CureSearch pay as additional rent its proportionate share of common area expenses and real estate taxes, as applicable.

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 7: Lease Commitments (Continued)

Future minimum annual lease payments under the remaining term of the lease as of December 31, 2018 are \$136,971.

Total rent expense for the years ended December 31, 2018 and 2017, including additional rental amounts (2018 - \$6,278 and 2017 - \$5,007) was \$146,735 and \$125,327, respectively.

Equipment Lease: CureSearch leases office equipment under a lease agreement which expires in August 2019. Rent expense under this lease was \$4,614 and \$10,434 for the years ended December 31, 2018 and 2017, respectively. The minimum annual lease payments under the remaining term of the lease as of December 31, 2018 are \$3,555.

Note 8: Pension Plans

Defined Contribution Benefit Plan: CureSearch sponsors an IRC 403(b) salary deferral retirement plan that generally covers all employees. Under the terms of the plan, participating employees may elect to contribute pre-tax dollars into the plan not to exceed the maximum contribution allowable under applicable provisions of the IRC. The plan allows for a tiered employer matching provision which ranges from 0% to 2%. The matching contribution is based on the percentage of the participant's elective deferral to the plan on an annual basis. Participants must have 12 months of service to qualify for an employer match. Contributions made by CureSearch to the plan for the years ended December 31, 2018 and 2017, were \$20,598 and \$33,924, respectively.

Deferred Compensation Plan: From December 2014 until its termination in November 2017, CureSearch had a deferred compensation plan under IRC Section 457(b) for the benefit of certain key employees. Under the terms of the plan, participating employees could elect to defer a portion of their compensation on a pre-tax basis into the plan within the applicable limits and provisions of the IRC. At plan termination, the balance was fully distributed to the participating employees. Prior to the plan termination, the deferred compensation amount was held in a separate investment account, referred to as assets held in trust in the statements of financial position. For the year ended December 31, 2017, CureSearch made contributions to the plan of \$21,212.

Note 9: Grant Commitments

As of December 31, 2018, CureSearch has outstanding conditional grant commitments to be made totaling \$1,241,042. Grant payments are subject to the fulfillment of certain conditions, as defined in the respective grant agreements. Future expected conditional grant payments for each of the years subsequent to December 31, 2018 are as follows:

Year ending December 31:	
2019	\$ 762,786
2020	<u>478,256</u>
	<u>\$ 1,241,042</u>

CURESEARCH FOR CHILDREN'S CANCER
Notes to Financial Statements
December 31, 2018 and 2017

Note 10: Other Matters

Cash and Cash Equivalents: CureSearch maintains its cash balances in one financial institution. Periodically during the year, CureSearch's cash balances have exceeded federally insured limits. CureSearch has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances.

Grant Co-Funding: CureSearch actively seeks to identify partners who will co-fund their research projects and increase the amount of money going to pediatric oncology research. In 2016, CureSearch partnered with The Rising Tide Foundation for Clinical Cancer Research to support CureSearch's Acceleration Initiative. This program was created, developed, marketed, and monitored by CureSearch. The partner has committed \$843,836 over three years in direct support of this project, of which \$294,612 and \$254,612 was paid directly to the grant recipients in 2018 and 2017, respectively.

In 2017, CureSearch partnered with the Alan B. Slifka Foundation to support another grant for Acceleration Initiative. This partner has committed \$300,000 over three years in direct support of this project, of which \$100,000 was paid directly to the grant recipients during each of the years 2018 and 2017.

For financial reporting purposes, these commitments and the related payments are not included in the accompanying financial statements.

