

**National Childhood Cancer Foundation**

(A California Nonprofit Corporation)

**Report on Audited Financial Statements**

**For the Year Ended November 30, 2003**

**(With Summarized Financial Information**

**For the Year Ended November 30, 2002)**

**National Childhood Cancer Foundation**  
**(A California Nonprofit Corporation)**  
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**For the Year Ended November 30, 2003**

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**Report of Independent Auditors**

Board of Directors  
National Childhood Cancer Foundation

In our opinion, the accompanying statement of financial position and the related statements of activities and changes in net assets, cash flows, and expenses by function present fairly, in all material respects, the financial position of the National Childhood Cancer Foundation ("NCCF") (a California nonprofit corporation) at November 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of NCCF's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized financial information has been derived from NCCF's 2002 financial statements; and in our report dated February 14, 2003, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2004 on our consideration of NCCF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*PricewaterhouseCoopers LLP*

March 19, 2004

**National Childhood Cancer Foundation**  
(A California Nonprofit Corporation)  
**Statements of Financial Position**  
**November 30, 2003 and 2002**

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<b>Assets</b>	<b>2003</b>	<b>2002</b>
Cash and cash equivalents	\$ 62,896	\$ 86,690
Marketable securities	12,986,805	11,204,368
Investment in retirement trust	524,748	426,942
Grants receivable	8,833,729	4,643,430
Pledges receivable, net	1,290,130	1,856,460
Contributions receivable from split-interest agreements	388,968	388,968
Other receivables	162,783	63,750
Other assets	105,891	128,768
Property and equipment, net	<u>55,598</u>	<u>67,911</u>
Total assets	<u>\$ 24,411,548</u>	<u>\$ 18,867,287</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable	\$ 10,642,392	\$ 4,555,005
Accrued expense	<u>1,123,785</u>	<u>945,227</u>
Total liabilities	11,766,177	5,500,232
 Net assets		
Unrestricted	5,299,851	5,813,793
Temporarily restricted	3,006,748	3,241,937
Permanently restricted	<u>4,338,772</u>	<u>4,311,325</u>
Total net assets	<u>12,645,371</u>	<u>13,367,055</u>
Total liabilities and net assets	<u>\$ 24,411,548</u>	<u>\$ 18,867,287</u>

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

# National Childhood Cancer Foundation

(A California Nonprofit Corporation)

## Statement of Activities and Changes in Net Assets

For the Year Ended November 30, 2003

(With Summarized Financial Information For the Year Ended November 30, 2002)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2003	2002
<b>Support and revenue</b>					
Federal government grants	\$ 34,778,523			\$ 34,778,523	\$ 25,754,830
Private grants and contracts		\$ 1,194,755		1,194,755	930,104
Fellowships		57,632		57,632	55,000
Contributions	4,005,973		\$ 27,447	4,033,420	3,902,551
Donated services	32,740			32,740	77,233
Unrealized gain on investments	270,676			270,676	19,997
Dividends and interest income	363,015	83,820		446,835	507,351
Realized loss on investments	(41,225)			(41,225)	(238,796)
Net assets released from restrictions	1,571,396	(1,571,396)		-	-
Total support and revenue	<u>40,981,098</u>	<u>(235,189)</u>	<u>27,447</u>	<u>40,773,356</u>	<u>31,008,270</u>
<b>Expenses</b>					
Program services					
Clinical and Biology Research	27,390,923			27,390,923	19,372,468
Group Operations Center:					
Group Administration	3,751,788			3,751,788	2,359,238
Patient Data Management Center	777,660			777,660	943,293
Study Development Office	824,854			824,854	890,176
Group Statistical Center	1,732,021			1,732,021	1,491,845
Quality Control and Audit	547,033			547,033	681,613
Information Systems	1,878,765			1,878,765	1,374,738
Public Affairs	1,086,486			1,086,486	326,116
Research and Advocacy	826,469			826,469	353,255
Total program services	<u>38,815,999</u>	<u>-</u>	<u>-</u>	<u>38,815,999</u>	<u>27,792,742</u>
Supporting services					
Management and General	77,493			77,493	98,496
Development	2,601,548			2,601,548	1,524,152
Total supporting services	<u>2,679,041</u>	<u>-</u>	<u>-</u>	<u>2,679,041</u>	<u>1,622,648</u>
Total expenses	<u>41,495,040</u>	<u>-</u>	<u>-</u>	<u>41,495,040</u>	<u>29,415,390</u>
Changes in net assets	(513,942)	(235,189)	27,447	(721,684)	1,592,880
Other changes in net assets					
Change in split-interest agreement valuation					(112,521)
Changes in net assets	(513,942)	(235,189)	27,447	(721,684)	1,480,359
Net assets, beginning of year	<u>5,813,793</u>	<u>3,241,937</u>	<u>4,311,325</u>	<u>13,367,055</u>	<u>11,886,696</u>
Net assets, end of year	<u>\$ 5,299,851</u>	<u>\$ 3,006,748</u>	<u>\$ 4,338,772</u>	<u>\$ 12,645,371</u>	<u>\$ 13,367,055</u>

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

# National Childhood Cancer Foundation

(A California Nonprofit Corporation)

## Statement of Functional Expenses

For the Year Ended November 30, 2003

(With Summarized Financial Information For the Year Ended November 30, 2002)

	Program Services											Supporting Services					
	Group Operations Center											Total Program Services	Mgmt General	Fund Raising	2003 Total Expense	2002 Total Expense	
	Clinical & Biology Research	Group Admin	Patient Data Center	Study Develop Office	Statistical Center	Quality Control & Audit	Inform Systems	Public Affairs	Research and Advocacy	Total	Program Services						
Grant awards and fellowships	\$ 23,100,111											\$ 23,100,111				\$ 23,100,111	\$ 14,942,478
Salaries	1,664,473	885,453	568,026	566,708	591,837	310,895	1,246,215	220,436	228,996	6,283,039	17,138	1,060,634	7,360,811	5,313,639			
Fringe benefits/employee taxes	492,295	223,695	146,850	135,942	165,154	85,167	282,699	50,342	49,751	1,631,895	5,310	218,469	1,855,674	1,376,850			
Professional services	63,689	143,904	1,804	45,324	772,717	3,588	94,708	643,390	246,407	2,015,531	716	33,180	2,049,427	553,564			
Material, Supplies and services	341,974	74,323	10,240	11,030	41,534	17,494	107,778	17,076	22,655	644,104	3,843	116,641	764,588	696,331			
Telephone	62,310	75,574	2,270	3,082	17,564	3,626	6,434	1,403	5,836	178,099	695	17,696	196,490	188,551			
Postage and express mail	45,285	33,427	1,564	1,489	4,004	2,742	3,487	2,808	2,239	97,045	509	20,524	118,078	102,444			
Publication expenses		2,339						108,821		111,160	206		111,366	22,036			
Printing/graphics	18,326	26,698	519	578	1,157	683	1,255	399	333	49,948	11,777	6,292	68,017	42,023			
Facility	1,047,472	143,362	29,671	31,525	66,188	24,678	71,752	22,805	19,007	1,456,460	3,319	59,544	1,519,323	1,062,890			
Leased equipment and maintenance	295,203	40,403	8,362	8,885	18,653	6,955	20,222	6,427	5,357	410,467	1,099	16,781	428,347	255,134			
Travel and business functions	117,723	2,064,216	3,460	13,801	41,330	81,153	29,054	8,818	19,239	2,378,794	7	139,976	2,518,777	2,603,191			
Other expense	120,007	35,375	4,269	5,826	10,490	9,532	13,650	3,281	2,734	205,164	32,625	11,103	248,892	1,567,913			
Donated services												32,740	32,740	77,233			
Special events									223,515	223,515			223,515	150,912			
Fund raising programs												866,714	866,714	415,294			
Total expense before depreciation and amortization	27,368,868	3,748,769	777,035	824,190	1,730,628	546,513	1,877,254	1,086,006	826,069	38,785,332	77,244	2,600,294	41,462,870	29,370,483			
Depreciation and amortization	22,055	3,019	625	664	1,393	520	1,511	480	400	30,667	249	1,254	32,170	44,907			
Total expense	\$ 27,390,923	\$ 3,751,788	\$ 777,660	\$ 824,854	\$ 1,732,021	\$ 547,033	\$ 1,878,765	\$ 1,086,486	\$ 826,469	\$ 38,815,999	\$ 77,493	\$ 2,601,548	\$ 41,495,040	\$ 29,415,390			

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

**National Childhood Cancer Foundation**  
(A California Nonprofit Corporation)  
**Statements of Cash Flows**  
**For the Years Ended November 30, 2003 and 2002**

	2003	2002
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (721,684)	\$ 1,480,359
Cash provided by operating activities		
Depreciation and amortization	32,170	44,907
Realized and unrealized (gain) loss on investments	(676,286)	288,552
Permanently restricted contributions	(449,868)	(35,969)
Loss on disposal of equipment	-	6,441
Changes in operating assets and liabilities		
Grants receivable	(4,190,299)	1,187,923
Pledges receivable	566,330	(1,056,555)
Contributions receivable from split-interest agreements	-	53,184
Other receivables	(99,033)	118,251
Other assets	22,877	(44,496)
Accounts payable	6,087,387	(927,748)
Accrued expense	178,558	170,509
	<u>750,152</u>	<u>1,285,358</u>
Net cash provided by operating activities		
	<u>750,152</u>	<u>1,285,358</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(19,857)	-
Purchase of marketable securities	(6,687,595)	(6,155,078)
Proceeds from sale of marketable securities	5,483,638	4,909,331
	<u>(1,223,814)</u>	<u>(1,245,747)</u>
Net cash used in investing activities		
	<u>(1,223,814)</u>	<u>(1,245,747)</u>
<b>Cash flows from financing activities</b>		
Permanently restricted contributions	449,868	35,969
	<u>449,868</u>	<u>35,969</u>
Net cash provided by financing activities		
	<u>449,868</u>	<u>35,969</u>
Net (decrease) increase in cash and cash equivalents	(23,794)	75,580
<b>Cash and cash equivalents</b>		
Beginning of year	86,690	11,110
	<u>86,690</u>	<u>11,110</u>
End of year	<u>\$ 62,896</u>	<u>\$ 86,690</u>

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

**National Childhood Cancer Foundation**  
(A California Nonprofit Corporation)  
**Notes to Financial Statements**  
**For the Year Ended November 30, 2003**

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**1. General**

The National Childhood Cancer Foundation ("NCCF"), formerly known as the Foundation for the Children's Oncology Group, is a tax-exempt, public benefit charity dedicated to conquer childhood cancer. NCCF raises funds by applications to major federal and non-federal research funding agencies and by soliciting gifts of many kinds from individuals, foundations, corporations and other groups.

NCCF provides support for the Children's Oncology Group, an organization of experts in childhood cancer treatment and research located at over 235 children's hospitals, university hospitals and cancer centers that care for almost all children with cancer in North America. In addition to funding life-saving research, NCCF awards fellowships for research training to enable outstanding young physician-scientists to qualify for careers in childhood cancer research, treatment and teaching.

NCCF serves as a resource for children with cancer and their families by providing information to opinion leaders, policy makers, cancer patient organizations, legislators, health care professionals and the public, emphasizing that cancer is the major disease killer of children, and stressing the need to make childhood cancer a top national health priority.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting**

The financial statements of NCCF have been prepared on the accrual basis and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

**Net Assets**

"Unrestricted Net Assets" - the part of the net assets of NCCF that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of NCCF and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

"Temporarily Restricted Net Assets" - the part of the net assets of NCCF resulting from (a) contributions and other inflows of assets whose use by NCCF is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of NCCF pursuant to those stipulations, and (b) reclassifications to (from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of NCCF pursuant to those stipulations.

**National Childhood Cancer Foundation**  
(A California Nonprofit Corporation)  
**Notes to Financial Statements**  
**For the Year Ended November 30, 2003**

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2. **Summary of Significant Accounting Policies (Continued)**

**Net Assets (Continued)**

"Permanently Restricted Net Assets" - the part of the net assets of NCCF resulting from contributions and other inflows of assets whose use by NCCF is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of NCCF.

**Federal and Private Grants and Contracts Revenue Recognition**

Revenue under contracts and grants is recognized as related services are performed. Significant services are performed by subrecipients under subcontract agreements with NCCF. The terms of the subcontract agreements allow subrecipients up to 45 days beyond the term of the agreement to submit claims for reimbursement. The accompanying financial statements include accruals for qualifying grant expenditures and related federal government grants revenue based upon estimated reimbursement claims to be filed by subrecipients for pre-November 30, 2003 grant expenditures for \$9,367,000. Actual reimbursement to NCCF for these claims will be paid by the federal government provided that such reimbursement claims are received within the maximum billing period specified by the subrecipient contracts.

**Other Support Recognition**

Contributions whose restrictions are met in the current year are reported as unrestricted support.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NCCF has an approved indirect cost rate with the Federal government. Management and general expenses are charged to each grant based upon this approved rate. These amounts are classified within each program activity in the accompanying financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents includes some investments in treasury bills and money market funds with an original maturity of less than 90 days, not intended for reinvestment as marketable securities, and are carried at cost, which approximates market.

**Marketable Securities**

Marketable securities consist of investments described in Note 4 and are recorded at market value. Gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Cost of securities sold is determined by the specific identification method. Investment fees for approximately \$33,000 are included in the statement of activities as other expense.

**National Childhood Cancer Foundation**  
(A California Nonprofit Corporation)  
**Notes to Financial Statements**  
**For the Year Ended November 30, 2003**

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2. **Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Furniture and equipment and leasehold improvements are stated at cost. Depreciation on furniture and equipment is calculated utilizing the straight-line method over the estimated useful lives of the assets, which range from three to eight years. Amortization on leasehold improvements is calculated utilizing the straight-line method over the related lease term or estimated useful life, whichever is less.

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any profit or loss arising from such disposition is recorded as a gain or loss. Expenditures for repairs and maintenance are charged to expenses as incurred.

Equipment purchased using federal funds is expensed as acquired since title to such equipment resides with the federal government.

**Concentration of Credit Risk**

NCCF maintains cash, cash equivalents and investments in commercial banks, which may exceed FDIC insurance limits. NCCF performs on-going evaluations of commercial banks to limit its concentration of credit risk exposure. NCCF has never sustained a loss on funds maintained in commercial banks.

NCCF receives a substantial portion of its revenues from the Department of Health and Human Services ("DHHS"). NCCF is subject to credit risk in the event that DHHS fails to perform according to the terms of the grant.

**Tax Status**

NCCF is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

**Donated Services**

Donated services include professional services that would be purchased if not provided by donation.

**Summarized Information**

The financial statements include certain prior-year 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 NCCF's financial statements for the year ended November 30, 2002, from which the summarized information was derived.

**National Childhood Cancer Foundation**  
 (A California Nonprofit Corporation)  
**Notes to Financial Statements**  
**For the Year Ended November 30, 2003**

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**5. Property and Equipment**

Property and equipment consist of the following at November 30, 2003:

Computer equipment	\$ 136,470
Furniture and fixtures	24,385
Leasehold improvements	<u>272,487</u>
	433,342
Less, Accumulated depreciation and amortization	<u>(377,744)</u>
Total property and equipment, net	<u>\$ 55,598</u>

**6. Long Term Commitments**

At November 30, 2003, NCCF was obligated under operating leases for office equipment and office space expiring through November 2007. Minimum annual rentals in effect are as follows:

2004	\$ 1,610,561
2005	1,456,237
2006	1,314,665
2007	<u>1,194,935</u>
	<u>\$ 5,576,398</u>

Certain leases in effect at November 30, 2003 are subject to increase based upon changes in the Consumer Price Index. Total rent expense for all operating leases for the year ended November 30, 2003 was \$1,638,880.

**7. Commitments and Contingencies**

NCCF receives a substantial portion of its total revenues under various governmental grants, all of which pay NCCF based on reimbursable costs, as defined by each grant. Reimbursements recorded under these grants are subject to audit. Management believes that no material adjustments will result from the subsequent audit of costs reflected in the accompanying financial statements.

NCCF has provided for certain deferred compensation and severance benefits for key management personnel under a Section 457 (f) and (b) plan. \$3,845 was paid under this policy for the year ended November 30, 2003. Benefits, including cash compensation and health insurance, are paid according to a formula not to exceed 12 months' salary at the time of termination and benefits coverage equivalent to that of the employee prior to termination for a period of up to one year.

**National Childhood Cancer Foundation**  
**(A California Nonprofit Corporation)**  
**Notes to Financial Statements**  
**For the Year Ended November 30, 2003**

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**8. Defined Contribution Retirement Plan**

NCCF's Board of Trustees established a defined contribution retirement plan ("Plan") as of June 12, 1993. All employees are eligible to participate in the elective deferral portion of this Plan upon meeting general eligibility requirements and agreeing to a minimum elective deferral of \$201 annually. Every eligible employee shall, upon completion of one year of service and attainment of age twenty-one, be entitled to participate in NCCF's baseline contribution portion of the Plan. NCCF's baseline contribution on behalf of each participant shall be three percent of each eligible participant's regular salary. A participant is one hundred percent vested in all baseline contributions made on his or her behalf. Employer contributions for the year ended November 30, 2003 were \$424,058.

**9. Split-Interest Agreements**

NCCF is the beneficiary of two charitable remainder unitrust agreements. NCCF's beneficial interest, reported at \$388,968 as of November 30, 2003, is estimated annually based on the value of the net assets underlying the unitrust agreements, certain actuarial assumptions, and the present value of future beneficiary payments.

**10. Line of Credit**

NCCF has a line of credit for \$750,000 with interest at a variable rate with an index as determined by the financial institution plus 1% (5% at November 30, 2003) with a financial institution, maturing in August 2004. As of November 30, 2003, there were no outstanding borrowings.

**National Childhood Cancer Foundation**  
 (A California Nonprofit Corporation)  
**Notes to Financial Statements**  
**For the Year Ended November 30, 2003**

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**11. Net Assets**

A detail of net assets as of November 30, 2003 is described as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment to support operations	\$ 221,470		\$ 1,271,498	\$ 1,492,968
Endowment to support restricted purposes		\$ 262,621	3,007,937	3,270,558
Charitable remainder trusts		329,631	59,337	388,968
Other restricted for purpose		2,414,496		2,414,496
Property and equipment	55,598			55,598
Other unrestricted	<u>5,022,783</u>			<u>5,022,783</u>
Total net assets	<u>\$ 5,299,851</u>	<u>\$ 3,006,748</u>	<u>\$ 4,338,772</u>	<u>\$ 12,645,371</u>

**12. Subsequent Event**

In January 2004, NCCF disbursed \$532,035 for two key management personnel under a Section 457 (f) and (b) plan.