FRIENDS OF CANCER RESEARCH

Washington, DC

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended
December 31, 2015 and 2014

FRIENDS OF CANCER RESEARCH

Financial Statements

As of and for the Years Ended December 31, 2015 and 2014

Contents

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Independent Auditors' Report

To the Board of Directors of
Friends of Cancer Research
Washington, DC

We have audited the accompanying financial statements of Friends of Cancer Research (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities 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.

Auditors' 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 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 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 Friends of Cancer Research as of December 31, 2015 and 2014, 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.

Baker Tilly Virchow Krause, LLP

Tysons, Virginia
March 28, 2017

FRIENDS OF CANCER RESEARCH

Statements of Financial Position

As of December 31, 2015 and 2014

		2015		2014
Assets				
Current Assets				
Cash and cash equivalents	$	967,724	$	457,687
Contributions receivable		93,000		8,000
Prepaid expenses		24,448		3,250
Total current assets		1,085,172		468,937
Investments		3,073,935		3,311,162
Property and Equipment, net		35,249		71,454
Total Assets	$	4,194,356	$	3,851,553
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	191,202	$	7,806
Net Assets				
Unrestricted		3,853,154		3,693,747
Temporarily restricted		150,000		150,000
Total Net Assets		4,003,154		3,843,747
Total Liabilities and Net Assets	$	4,194,356	$	3,851,553

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

FRIENDS OF CANCER RESEARCH

Statements of Activities

For the Years Ended December 31, 2015 and 2014

		2015		2014
Changes in Unrestricted Net Assets				
Unrestricted revenue and gains				
Corporate contributions	$	1,582,880	$	1,306,560
Event donations		810,900		656,350
Institutional contributions		308,000		367,600
Contributed services		298,651		209,304
Individual contributions		35,535		48,961
Investment return, net		(186,101)		99,795
Total unrestricted revenue and gains		2,849,865		2,688,570
Net assets released from restrictions		150,000		95,000
Total unrestricted net assets		2,999,865		2,783,570
Expenses				
Program expense		1,291,254		1,331,865
Fundraising		552,985		416,892
Contributions		68,000		67,000
Depreciation		46,707		64,394
General and administrative				
Salaries and benefits		523,860		448,522
Rent		191,986		180,860
Legal and accounting		38,734		25,141
Dues and subscriptions		35,196		31,969
Miscellaneous		32,508		33,884
Web expenses		23,370		11,420
Consulting services		21,875		6,000
Telephone		13,983		30,742
Total expenses		2,840,458		2,648,689
Increase in Unrestricted Net Assets		159,407		134,881
Changes in Temporarily Restricted Net Assets				
Corporate contributions		140,000		140,000
Event donations		10,000		10,000
Net assets released from restrictions		(150,000)		(95,000)
Increase in Temporarily Restricted Net Assets		-		55,000
Increase in Net Assets		159,407		189,881
Net Assets, beginning of year		3,843,747		3,653,866
Net Assets, end of year	$	4,003,154	$	3,843,747

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

Friends of Cancer Research

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

		2015		2014
Cash Flows from Operating Activities				
Increase in net assets	$	159,407	$	189,881
Adjustment to reconcile increase in net assets				
to net cash provided by operating activities:				
Realized and unrealized losses on investments		416,155		21,268
Depreciation		46,707		64,394
Changes in assets and liabilities:				
Increase in contributions receivable		(85,000)		(8,000)
Increase in prepaid expenses		(21,198)		(242)
Increase (decrease) in accounts payable and accrued liabilities		183,397		(424)
Net cash provided by operating activities		699,468		266,877
Cash Flows from Investing Activities				
Purchases of property and equipment		(10,503)		(5,000)
Purchases of investments		(2,613,728)		(6,116,691)
Redemption of investments		2,434,800		6,010,445
Net cash used in investing activities		(189,431)		(111,246)
Increase in Cash and Cash Equivalents		510,037		155,631
Cash and Cash Equivalents, beginning of year		457,687		302,056
Cash and Cash Equivalents, end of year	$	967,724	$	457,687
Supplemental Non-Cash Transactions Information:				
Contributed services and facilities	$	298,651	$	209,304

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

NOTE 1 - ORGANIZATION

Friends of Cancer Research ("FOCR") was incorporated on June 24, 1996, as a District of Columbia nonprofit corporation that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). The purpose of FOCR is to raise awareness and provide public education on cancer research in an effort to accelerate the nation's progress toward prevention and treatment of cancer. This mission is achieved through the sponsorship of publicity events and the development and dissemination of promotional literature.

FOCR was created with the original intent to cease operations after one year; however, management currently plans to continue operations indefinitely. Upon dissolution, any remaining assets shall be distributed to one or more organizations that qualify as an exempt organization under Section 501(c)(3) of the IRC.

NOTE 2 - SOURCES OF REVENUE

FOCR's primary source of revenue is cash contributions from corporations, individuals, and institutional organizations, such as universities and research centers. During the years ended December 31, 2015 and 2014, no single donor provided 10 percent or more of total contributions.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of FOCR are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This accounting and reporting method classifies various resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into three classes of net assets.

> Unrestricted - Unrestricted resources that are available for general operations. Contributions whose restrictions are met in the same reporting period are recorded as unrestricted revenue.
>
> Temporarily restricted - Funds whose use is limited by donor imposed stipulations that either expire by the passage of time or the restriction can be fulfilled by FOCR, primarily by expending funds for the designated purpose. As of both December 31, 2015 and 2014, FOCR had $150,000 in temporarily restricted net assets.
>
> Permanently restricted - Funds subject to donor-imposed restrictions that will not terminate that establish the nature and purpose of such funds. Principal is invested in perpetuity and only the income is used for activities as determined by the donor. As of December 31, 2015 and 2014, FOCR had no permanently restricted net assets.

Cash and Cash Equivalents - The term cash and cash equivalents, as used in the accompanying financial statements, includes currency on hand, demand deposits with financial institutions, and short-term, highly liquid investments purchased with original maturities of three months or less. FOCR maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Cash accounts are guaranteed by the Federal Deposit Insurance Corporation up to $250,000. FOCR has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments - Investments consist of corporate and municipal bonds and stocks which are reported at fair value. Realized and unrealized gains or losses and investment income or losses are included in the increase in unrestricted net assets on the accompanying statements of activities, unless restricted by a donor.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following table presents the investments that individually represent 10 percent or more of the organization's investment balance as of December 31, 2015 and 2014:

	2015	2014
Corporate Bond A	-	31%
Corporate Bond B	-	13%
Corporate Bond C	21%	20%
Corporate Bond D	16%	15%
Corporate Bond E	16%	-
Corporate Bond F	15%	-
Corporate Bond G	13%	-

Property and Equipment - Property and equipment are stated at cost, less accumulated depreciation. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Equipment is capitalized if it has a cost of $1,000 or more and a useful life when acquired of more than a year. Leasehold improvements are depreciated over the lesser of the life of the lease or the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2015 and 2014 was $46,707 and $64,394, respectively.

Revenue Recognition - Contributions received, including unconditional promises to give, are recognized as revenue in the period received at their fair values. Conditional promises to give are recognized when the conditions are substantially met. Contributed services that create or enhance non-financial assets or require specialized skills are recognized as revenue when the services are received.

Contributions Receivable - Receivables due in less than one year are reported at their outstanding balance. Receivables due beyond one year are discounted to their net present value of future cash flows. Receivables are carried at their original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. Management has determined that no allowance for doubtful accounts is necessary as of December 31, 2015 and 2014.

Income Taxes - FOCR is exempt from federal income tax under provisions of Section 501(c)(3) of the IRC. While FOCR is not taxed for federal and state income tax purposes, FOCR's policy is to evaluate and review its tax positions on an ongoing basis to ensure compliance with the applicable portions of the IRC. FOCR files a Form 990 with the federal government.

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

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements - During August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. Entities will present on the face of their financial statements two classes of net assets, rather than the three classes currently required. In addition, entities will be required to present expenses by both their natural classification and functional classification, present investment returns net of external and direct internal investment expenses, and provide enhanced disclosures regarding the entity's available resources and liquidity, among other changes. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early application permitted. The amendments should be applied on a retrospective basis in the year of adoption, with certain limited exceptions in the case of comparative financial statements, with disclosure of the nature of any reclassifications or restatements and their effects, if any, on changes in the net asset classes for each period presented. FOCR is currently evaluating the effect that ASU 2016-14 will have on its statement of financial position, statement of activities, and cash flows.

During May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, FASB also issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09; ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations in Topic 606; ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, which clarifies the identification of performance obligations and the licensing implementation guidance; ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients,* and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606*, which both affect narrow aspects of Topic 606. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The FOCR may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. FOCR is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position, and cash flows.

During February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. FOCR is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position, and cash flows.

Subsequent Events - FOCR has evaluated subsequent events through the report date of these financial statements, the date these financial statements were available to be issued. Other than the new lease agreement and reduction in services provided by SIGAL Construction Corporation discussed in Note 8, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 4 - INVESTMENTS

Investments at December 31, 2015 consist of the following:

	Cost	Fair Market Value	Cumulative Unrealized Loss
Corporate Bonds	$ 2,752,728	$ 2,368,574	$ (384,154)
Municipal Bonds	527,500	480,611	(46,889)
Certificates of Deposit	250,000	224,750	(25,250)
Total	$ 3,530,228	$ 3,073,935	$ (456,293)

Investments at December 31, 2014 consist of the following:

	Cost	Fair Market Value	Cumulative Unrealized Loss
Corporate Bonds	$ 2,298,389	$ 2,207,662	$ (90,727)
Municipal Bonds	1,019,200	1,011,660	(7,540)
Corporate Stock	100,000	91,840	(8,160)
Total	$ 3,417,589	$ 3,311,162	$ (106,427)

Investment return for the years ended December 31, 2015 and 2014 consists of the following:

	2015	2014
Dividend and interest income	$ 230,054	$ 121,063
Realized income from sale of investments	9,087	62,283
Unrealized loss on investments	(425,242)	(83,551)
Net investment return	$ (186,101)	$ 99,795

NOTE 5 - FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* defines fair value, establishes a framework for measuring fair value, and prescribes disclosures about fair value measurements. Fair value is to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

In determining fair value, FOCR used various valuation approaches. A fair value hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of FOCR.

Unobservable inputs reflect FOCR's assumption about the inputs that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels, based on the inputs, as follows:

Level 1 - Valuations based on quoted prices for identical instruments in active markets. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices for either similar instruments in active markets, identical or similar instruments in markets that are not active, or model-derived valuations whose inputs or significant value drivers are observable.

Level 3 - Valuations based on inputs that are unobservable.

The availability of valuation techniques and observable inputs can vary and is affected by a wide variety of factors, including the type of asset or liability, whether the asset or liability is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuations, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the assets or liabilities existed.

FOCR's investment in certificates of deposit, corporate and municipal bonds and stocks is reported at fair value. The fair value of these certificates of deposit and corporate and municipal bonds is estimated using market price quotations generally categorized as Level 2 inputs and the fair value of the corporate stock is categorized as Level 1 inputs of the fair value hierarchy.

The following are the major categories of investments measured at fair value on a recurring basis during the year ended December 31, 2015, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	Level 1: Quoted Prices in Active Markets for Identical Assets	**Level 2: Significant Other Observable Inputs**	**Level 3: Significant Unobservable Inputs**	**Total at December 31, 2015**
Corporate Bonds	$ -	$ 2,368,574	$ -	$ 2,368,574
Municipal Bonds	-	480,611	-	480,611
Certificates of Deposit	-	224,750	-	224,750
Total	$ -	$ 3,073,935	$ -	$ 3,073,935

NOTE 5 - FAIR VALUE MEASUREMENTS - CONTINUED

The following are the major categories of investments measured at fair value on a recurring basis during the year ended December 31, 2014, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2014
Corporate Bonds	$ -	$ 2,207,662	$ -	2,207,662
Municipal Bonds	-	1,011,660	-	1,011,660
Corporate Stock	91,840	-	-	91,840
Total	$ 91,840	$ 3,219,322	$ -	$ 3,311,162

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2015	2014
Furniture and fixtures	$ 191,788	$ 191,788
Leasehold improvements	87,999	87,999
Equipment	29,760	29,760
Computers	10,501	7,494
Construction in process	7,496	-
	327,544	317,041
Accumulated depreciation and amortization	(292,295)	(245,587)
Property and equipment	$ 35,249	$ 71,454

NOTE 7 - CONTRIBUTIONS OF SERVICES

During 2015 and 2014, FOCR received contributions of various professional services, including human resources, IT, and accounting services, among others. For the years ended December 31, 2015 and 2014, the fair value for these contributed services is approximately $298,651 and $209,304, respectively, and is included as both revenue and expense in the accompanying statements of activities.

NOTE 8 - RELATED PARTY TRANSACTIONS

The chairperson of the Board of Directors of FOCR is a Director and Shareholder of SIGAL Construction Corporation ("SIGAL"). SIGAL provides financial, administrative, and office services to FOCR which are not reimbursed by FOCR. The fair value of these services was $196,651 and $184,304 for 2015 and 2014, respectively, and is included as both revenue and expense in the accompanying statements of activities.

NOTE 8 - RELATED PARTY TRANSACTIONS - CONTINUED

SIGAL acts as a paymaster for FOCR and SIGAL is reimbursed by FOCR for personnel costs. In addition, FOCR reimburses SIGAL for certain office and other administrative expenses paid for by SIGAL on behalf of FOCR. During 2015 and 2014, salaries for which SIGAL acts as a paymaster totaled $1,760,145 and $1,639,155, respectively, and reimbursed office and other administrative expenses totaled $20,451 and $20,068, respectively. Included in the amount reimbursed to SIGAL for personnel costs in 2014 was a $160,181 retroactive adjustment for the period January 1, 2011 through June 30, 2014, related to SIGAL under billing certain fringe benefit rates during that period and notifying FOCR in 2014 of such under billing.

In June 2011, FOCR relocated its office and entered into a five year lease agreement with G.C.S., Inc., a related party to SIGAL through common ownership. The lease agreement requires monthly payments of $10,311 with 3.75 percent annual escalation. Total rent expense and common area maintenance reimbursements paid to G.C.S., Inc. during 2015 and 2014 were $191,986 and $179,951, respectively. Total other administrative expenses paid to G.C.S., Inc. during 2015 and 2014 summed to $12,563 and $33,324, respectively. The lease agreement expired in June 2016.

In January 2016, FOCR entered into a lease agreement with a third party to occupy its current space plus additional square footage. The lease commenced on July 1, 2016. The lease agreement requires monthly payments of $28,215 with a 2.50 percent annual escalation. The lease expires on April 30, 2025.

As of December 31, 2015, the future minimum rent payments owed by FOCR are as follows:

Year ending December 31, 2016	$	240,978
2017		342,838
2018		351,435
2019		360,232
2020		369,228
Thereafter		1,708,967
	$	3,373,678

During 2016, FOCR was in the process of reducing the services provided to them by SIGAL through taking on more of the services internally and outsourcing certain services to third parties.