

SOLVING KIDS' CANCER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

SOLVING KIDS' CANCER, INC.

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Solving Kids' Cancer, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Solving Kids' Cancer, Inc. ("Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 Organization'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 Solving Kids' Cancer, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized, Comparative Information

We have previously audited the Organization's December 31, 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report, dated October 17, 2016. In our opinion, the summarized, comparative information presented herein, as of and for the year ended December 31, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Sobel & Co, LLC
Certified Public Accountants

Livingston, New Jersey
October 19, 2017

SOLVING KIDS' CANCER, INC.
STATEMENTS OF FINANCIAL POSITION
(With Comparative Amounts for December 31, 2015)

	December 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 2,407,551	\$ 2,400,498
Pledges receivable	10,720	77,000
Prepaid expenses	24,064	18,843
Security deposits	3,585	6,435
Fixed assets, net	33,819	64,547
	<hr/>	<hr/>
Total Assets	\$ 2,479,739	\$ 2,567,323
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LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 12,695	\$ 55,418
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	1,680,427	2,028,455
Temporarily restricted	786,617	483,450
Total Net Assets	2,467,044	2,511,905
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Total Liabilities and Net Assets	\$ 2,479,739	\$ 2,567,323
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SOLVING KIDS' CANCER, INC.**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2016

(With Summarized, Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total	2015 Total
CONTRIBUTIONS AND OTHER SUPPORT:				
Individual contributions	\$ 72,477	\$ 10,000	\$ 82,477	\$ 36,333
Corporate contributions	167,992	65,000	232,992	157,677
Foundation contributions	20,860	345,000	365,860	140,500
Special events, net of expense	187,810	294,525	482,335	395,926
Interest income	4,821	-	4,821	5,202
	<u>453,960</u>	<u>714,525</u>	<u>1,168,485</u>	<u>735,638</u>
Net assets released from restrictions	411,358	(411,358)	-	-
Total Contributions and Other Support	865,318	303,167	1,168,485	735,638
EXPENSES:				
Program services	760,800	-	760,800	767,265
Management and general	267,625	-	267,625	323,137
Fundraising	184,921	-	184,921	213,774
Total Expenses	<u>1,213,346</u>	<u>-</u>	<u>1,213,346</u>	<u>1,304,176</u>
CHANGES IN NET ASSETS	(348,028)	303,167	(44,861)	(568,538)
NET ASSETS:				
Beginning of year	<u>2,028,455</u>	<u>483,450</u>	<u>2,511,905</u>	<u>3,080,443</u>
End of year	<u>\$ 1,680,427</u>	<u>\$ 786,617</u>	<u>\$ 2,467,044</u>	<u>\$ 2,511,905</u>

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

SOLVING KIDS' CANCER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
(With Summarized, Comparative Totals for the Year Ended December 31, 2015)

	Program Services	Support Services		Total Program and Support Services	2015 Total
		Management and General	Fundraising		
Salaries	\$ 181,760	\$ 41,250	\$ 147,100	\$ 370,110	\$ 476,826
Employee benefits	35,112	5,262	24,013	64,387	65,415
Payroll taxes	13,036	5,001	5,236	23,273	27,963
Total salaries and related expenses	229,908	51,513	176,349	457,770	570,204
Funding grants	456,965	-	-	456,965	395,420
Professional fees	65,250	35,061	329	100,640	121,844
Accounting and audit fees	-	40,777	-	40,777	16,323
Web design, hosting and advertising	-	1,836	3,243	5,079	5,835
Printing and shipping	-	-	2,707	2,707	10,167
Rent	-	62,792	-	62,792	85,128
Travel	8,415	1,660	276	10,351	16,742
Meals and entertainment	262	182	414	858	3,401
Bank and payroll processing fees	-	2,395	-	2,395	2,759
Merchant fees	-	12,930	-	12,930	10,917
Insurance	-	4,287	-	4,287	1,917
Office expense	-	8,280	-	8,280	6,253
Database expense	-	2,088	-	2,088	2,214
Miscellaneous	-	5,255	1,603	6,858	14,125
Dues and subscriptions	-	1,458	-	1,458	1,162
Total before depreciation	760,800	230,514	184,921	1,176,235	1,264,411
Depreciation	-	37,111	-	37,111	39,725
Total Functional Expenses	\$ 760,800	\$ 267,625	\$ 184,921	\$ 1,213,346	\$ 1,304,136

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

SOLVING KIDS' CANCER, INC.
STATEMENTS OF CASH FLOWS
(With Comparative Amounts for the Year Ended December 31, 2015)

	Year Ended December 31,	
	2016	2015
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (44,861)	\$ (568,538)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	37,111	39,725
Changes in certain assets and liabilities:		
Pledges receivable	66,280	(72,000)
Prepaid expenses	(5,221)	48,662
Security deposits	2,850	(2,850)
Accounts payable and accrued expenses	(42,723)	15,688
Refundable advance	-	(50,000)
Net Cash Provided by (Used by) Operating Activities	<u>13,436</u>	<u>(589,313)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of equipment	<u>(6,383)</u>	<u>(30,445)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,053	(619,758)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>2,400,498</u>	<u>3,020,256</u>
End of year	<u><u>\$ 2,407,551</u></u>	<u><u>\$ 2,400,498</u></u>

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF ACTIVITIES:

Solving Kids' Cancer, Inc. ("Organization") is a not-for-profit corporation based in New York, New York. The Organization finds, funds and advocates for breakthrough treatment options to cure children with the most fatal pediatric cancers. The Organization works to improve survival of the deadliest childhood cancers by accelerating the delivery of breakthrough treatments through clinical research, influencing research priorities and empowering families. The Organization extends their reach globally through driving collaboration to foster the development of innovative clinical trials that bring more effective treatments to children both in the U.S., Europe and beyond.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Comparative Information:

The financial statements include certain prior-year summarized, comparative information in total, but not by net asset class or by functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Financial Statement Presentation:

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

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents:

For financial statement purposes, certificates of deposit and money market funds with an original maturity of three months or less are considered to be cash equivalents.

Pledges Receivable:

Pledges receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible receivables to operations when determined to be uncollectible based on historical trends. As of December 31, 2016 and 2015, an allowance for uncollectible receivables was deemed not necessary.

Property and Equipment:

Purchased office equipment is capitalized at cost. The costs of additions and betterments are capitalized when they exceed \$1,000 and have a useful life over 3-7 years. Donated assets are capitalized at the fair value at time of receipt. During the years ended December 31, 2016 and 2015, no assets were donated. Property and equipment are depreciated using the straight-line method over their estimated useful lives. In the absence of donor-imposed restrictions on the use of the asset, gifts or long-lived assets are reported as unrestricted support.

Contributions and Revenue Recognition:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Donated Goods and Services:

The Organization can receive donated goods and services that create or enhance nonfinancial assets and allow the Organization to fulfill its mission. Donations of tangible assets are recognized at fair market value when received. Donated services are recognized if the services received either create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donations of goods or services at December 31, 2016 and 2015.

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2016 and 2015. At December 31, 2016 and 2015, there are no significant income tax uncertainties.

Functional Expenses:

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Financial Statement Reporting for Not-for-Profits:

The Financial Accounting Standards Board issued an accounting pronouncement *Presentation of Financial Statements of Not-for-Profit Entities* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designation, composition of net assets with donor restrictions and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for all annual reporting periods beginning after December 15, 2017. It will be effective for the year ended December 31, 2018. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reclassifications:

Certain amounts from the 2015 presentation have been reclassified to conform to the 2016 presentation.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after December 31, 2016 through October 19, 2017, the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS:

Fixed assets are comprised of the following:

	Useful Life	December 31,	
		2016	2015
Computers and equipment	3 years	\$ 5,160	\$ 5,160
Video documentation	3-7 years	63,479	57,096
Web development	3 years	152,713	152,713
Total gross fixed assets		221,352	214,969
Less: Accumulated depreciation		187,533	150,422
Fixed Assets, Net		\$ 33,819	\$ 64,547

NOTE 4 - GRANT PROGRAMS:

The Organization aids in the development of therapies to make survivorship possible for kids with the deadliest childhood cancers.

At December 31, 2016, the Organization funded the following programs:

1. *Memorial Sloan Kettering Cancer Center*
Phase Ib/II Clinical trial of nivolumab monotherapy in combination with ipilimumab in children with high-grade brain/CNS tumors \$ 20,000
2. *Baylor College of Medicine/Texas Children's Hospital*
Phase I Clinical Trial of Tumor Antigen-Specific Cytotox T-Lymphocytes (CTLs) immunotherapy for children with neuroblastoma and sarcomas (TACTASOM-PEDS) 80,000

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - GRANT PROGRAMS: (Continued)

3. <i>Baylor College of Medicine/Texas Children's Hospital</i> Phase I Clinical Trial of Tumor Antigen-Specific Cytotox T-Lymphocytes (CTLs) immunotherapy for children with neuroblastoma and sarcomas (TACTASOM-PEDS)	50,000
4. <i>Duke University</i> Phase Ib Clinical Trial - Oncolytic Virotherapy using attenuated polio virus (PVS-RIPO) for children with high-grade glioma brain tumors	64,408
5. <i>Children's Hospital of Philadelphia</i> Phase I Clinical Trial of transiently RNA modified GD2 T-cell CAR immunotherapy for children with neuroblastoma	176,557
6. <i>Children's Hospital Los Angeles</i> Phases I/II Clinical Trial of 1/2 study of <i>lorlatinib</i> , a small molecule inhibitor of ALK/ROS1, for children with ALK-driven relapsed or refractory neuroblastoma	<u>66,000</u>
	<u>\$ 456,965</u>

At December 31, 2015, the Organization funded the following programs:

1. <i>Baylor College of Medicine/Texas Children's Hospital</i> Adding PD1 inhibitor to Phase 1 clinical trial of 3 rd generation GD2 T-cell CAR with safety switch study	\$ 25,896
2. <i>Baylor College of Medicine/Texas Children's Hospital</i> Phase 1 clinical trial of 3 rd generation of GD2 T-cell CAR with safety switch study	35,000
3. <i>Memorial Sloan Kettering Cancer Center</i> Phase I clinical trial combination immunotherapy anti-PD1 + CTLA4 for children with brain tumors	20,000
4. <i>Baylor College of Medicine/Texas Children's Hospital</i> Phase 1 clinical trial cytotoxic T-cell lymphocytes (CTL) immunotherapy targeting TA antigens in ped solid tumors	90,000
5. <i>Wayne State University/Karmanos Cancer Center</i> Phases 1 and 2 clinical trials T-cells armed with BiSpecific Antibody for neuroblastoma and sarcomas	50,000

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - GRANT PROGRAMS: (Continued)

6. <i>University Hospital Southampton NHS Foundation Trust/ Southampton Children's Hospital</i>	
Phase 1 study of 131-1 mIBG followed by Nivolumab and ch 14.18/CHO anti-GD2 antibody for neuroblastoma	75,000
7. <i>Baylor College of Medicine/Texas Children's Hospital</i>	
Phase 1 clinical trial cytotoxic T-cell lymphocytes (CTL) immunotherapy targeting TA antigens in ped solid tumors	25,600
8. <i>Johns Hopkins University/Sidney Kimmel Cancer Center</i>	
Therapeutic Development Initiative Leadership Grant	<u>73,924</u>
	<u>\$ 395,420</u>

NOTE 5 - CONCENTRATIONS OF RISK:

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintained its cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may be in excess of federally insured limits.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

The Organization conducts all of its operations from a leased facility under an operating lease. The lease expires on March 31, 2022. The Organization is also responsible for a percentage of the increase in operating costs.

Lease payments due under the above lease are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 43,017
2018	43,017
2019	43,017
2020	43,017
2021	43,017
Thereafter	<u>10,754</u>
	<u>\$ 225,839</u>

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

At December 31, 2016, the following temporarily restricted net assets are available for the following purposes:

Phase I trial of magnetic resonance-guided, high-intensity focused ultrasound for neuroblastoma	\$ 55,000
Phase I trial of Nivolumab for brain tumors	117,500
Phase I Clinical Trial - Oncolytic Virotherapy	75,592
Phase I/II Clinical Trial of 1/2 study of <i>lorlatinib</i>	219,000
High-risk Brain Tumor pipeline project	<u>319,525</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 786,617</u>

At December 31, 2015, the following temporarily restricted net assets are available for the following purposes:

Phase I trial "ACT FAST" transient disialoganglioside-chimeric antigen receptor T-cell for neuroblastoma	\$ 221,550
Phase I trial of magnetic resonance-guided, high-intensity focused ultrasound for neuroblastoma	55,000
Phase I trial of Nivolumab for brain tumors	72,500
Phase I/II Clinical Trial of 1/2 study of <i>lorlatinib</i>	50,000
Phase I trial of tumor-associated antigens specific cytotoxic lymphocytes for solid tumors	<u>84,400</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 483,450</u>

Net assets released from time and use restrictions, for the years ended December 31, 2016 and 2015, amounted to \$411,358 and \$239,912, respectively.

SOLVING KIDS' CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 - SPECIAL EVENTS:

During the year ended December 31, 2016, special events consisted of the following:

<u>Event</u>	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Support</u>
Spring Celebration	<u>\$ 642,568</u>	<u>\$ 160,233</u>	<u>\$ 482,335</u>

During the year ended December 31, 2015, special events consisted of the following:

<u>Event</u>	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Support</u>
Spring Celebration	\$ 598,702	\$ 195,750	\$ 402,952
Other Events	<u>80</u>	<u>7,106</u>	<u>(7,026)</u>
Total	<u>\$ 598,782</u>	<u>\$ 202,856</u>	<u>\$ 395,926</u>