

**The Children's Oncology Group
Foundation, Inc.**

Financial Statements

December 31, 2013 and 2012



The Children's Oncology Group Foundation, Inc.

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December 31, 2013 and 2012

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Independent Auditors' Report

Board of Directors
The Children's Oncology Group Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Oncology Group Foundation, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 the Children's Oncology Group Foundation, Inc. as of December 31, 2013 and 2012, 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.

Parente Beard LLC

Philadelphia, Pennsylvania
August 15, 2014

The Children's Oncology Group Foundation, Inc.

Statements of Financial Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Assets		
Cash	\$ 2,655,548	\$ 610,613
Grants receivable	7,036,441	7,055,173
Deposits	<u>2,250</u>	<u>-</u>
Total assets	<u>\$ 9,694,239</u>	<u>\$ 7,665,786</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 368,126	\$ -
Deferred revenue	<u>-</u>	<u>80,675</u>
Total liabilities	<u>368,126</u>	<u>80,675</u>
Net Assets		
Unrestricted	309,864	112,611
Temporarily restricted	<u>9,016,249</u>	<u>7,472,500</u>
Total net assets	<u>9,326,113</u>	<u>7,585,111</u>
Total liabilities and net assets	<u>\$ 9,694,239</u>	<u>\$ 7,665,786</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Activities

Year Ended December 31, 2013 with Comparative Totals for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
Revenues and Other Additions				
Grants	\$ -	\$ 9,238,623	\$ 9,238,623	\$ 13,259,620
Contributions	142,944	24,661	167,605	57,862
Conference income	286,277	-	286,277	124,077
Bank interest	352	-	352	662
Miscellaneous income	-	-	-	25
Net assets released from restriction	<u>7,719,535</u>	<u>(7,719,535)</u>	<u>-</u>	<u>-</u>
Total revenues and other additions	<u>8,149,108</u>	<u>1,543,749</u>	<u>9,692,857</u>	<u>13,442,246</u>
Expenses				
Grant expense	7,825,534	-	7,825,534	6,034,127
Conference	49,660	-	49,660	4,860
Travel	16,842	-	16,842	-
Other	<u>4,081</u>	<u>-</u>	<u>4,081</u>	<u>-</u>
Total program expenses	<u>7,896,117</u>	<u>-</u>	<u>7,896,117</u>	<u>6,038,987</u>
Professional fees	47,703	-	47,703	30,890
Office expenses	<u>6,550</u>	<u>-</u>	<u>6,550</u>	<u>2,685</u>
Total management and general expenses	<u>54,253</u>	<u>-</u>	<u>54,253</u>	<u>33,575</u>
Conference	<u>1,485</u>	<u>-</u>	<u>1,485</u>	<u>-</u>
Total fundraising expenses	<u>1,485</u>	<u>-</u>	<u>1,485</u>	<u>-</u>
Total expenses	<u>7,951,855</u>	<u>-</u>	<u>7,951,855</u>	<u>6,072,562</u>
Increase in Net Assets	<u>197,253</u>	<u>1,543,749</u>	<u>1,741,002</u>	<u>7,369,684</u>
Net Assets, Beginning of Year	<u>112,611</u>	<u>7,472,500</u>	<u>7,585,111</u>	<u>216,622</u>
Net Assets, End of Year	<u>\$ 309,864</u>	<u>\$ 9,016,249</u>	<u>\$ 9,326,113</u>	<u>\$ 7,586,306</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statement of Activities

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Additions			
Grants	\$ -	\$ 13,259,620	\$ 13,259,620
Contributions	51,252	6,610	57,862
Conference income	124,077	-	124,077
Bank interest	662	-	662
Miscellaneous income	25	-	25
Net assets released from restriction	6,009,127	(6,009,127)	-
	<u>6,185,143</u>	<u>7,257,103</u>	<u>13,442,246</u>
Expenses			
Grant expense	6,034,127	-	6,034,127
Conference	4,860	-	4,860
	<u>6,038,987</u>	<u>-</u>	<u>6,038,987</u>
Professional fees	30,890	-	30,890
Dues and subscriptions	1,195	-	1,195
Office expenses	2,685	-	2,685
	<u>34,770</u>	<u>-</u>	<u>34,770</u>
Total management and general expenses	<u>34,770</u>	<u>-</u>	<u>34,770</u>
Total expenses	<u>6,073,757</u>	<u>-</u>	<u>6,073,757</u>
Increase in Net Assets	<u>111,386</u>	<u>7,257,103</u>	<u>7,368,489</u>
Net Assets, Beginning of Year	<u>1,225</u>	<u>215,397</u>	<u>216,622</u>
Net Assets, End of Year	<u>\$ 112,611</u>	<u>\$ 7,472,500</u>	<u>\$ 7,585,111</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,741,002	\$ 7,369,684
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Grants receivable	18,732	(7,055,173)
Deposits	(2,250)	-
Accounts payable	368,126	-
Deferred revenue	(80,675)	80,675
	<u>2,044,935</u>	<u>395,186</u>
Net cash provided by operating activities and net increase in cash	2,044,935	395,186
Cash, Beginning	<u>610,613</u>	<u>216,622</u>
Cash, Ending	<u>\$ 2,655,548</u>	<u>\$ 611,808</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
December 31, 2013 and 2012

1. Nature of Operations

The Children's Oncology Group Foundation, Inc. (the "Foundation") is a not-for-profit organization incorporated in the Commonwealth of Pennsylvania in August 2011. The Foundation was formed to support the Children's Oncology Group ("COG"), an unincorporated entity, which is the world's largest organization devoted exclusively to childhood and adolescent cancer research. The Foundation enables COG's leadership, comprised of a team of doctors, nurses, laboratory scientist and other allied professionals, the ability to direct the resources raised for childhood cancer research to the areas of highest need and opportunity. The board of the Foundation is comprised of the executive committee of COG. The Foundation allows philanthropic funds from individual supporters and organizations to go directly to COG and other organizations to fund their much needed research. In an era of rapid scientific discovery, this direct link allows COG researchers to respond quickly to new discoveries with great potential to benefit children with cancer. The Foundation's 2013 and 2012 grant expense consists of sub-grants made primarily to one organization that disperses the funds on behalf of the Foundation to COG member sites.

These activities are primarily supported by grants and contributions from foundations, corporations and individuals.

2. Summary of Significant Accounting Policies

Basis of Financial Reporting

The Foundation follows the authoritative guidance for external financial reporting by not-for-profit organizations and requires that unconditional promises to give (contributions) be recorded as a receivable and revenue and requires the Foundation to distinguish between contributions received for each net asset classification in accordance with donor imposed restrictions. The authoritative guidance also establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset classifications according to externally (donor) imposed restrictions.

A description of the net asset classifications follows:

Unrestricted Net Assets include assets that are available for the support of operations and whose use is not externally restricted.

Temporarily Restricted Net Assets include gifts and accumulated earnings for which donor imposed restrictions, primarily passage of time or occurrence of a specific event, have not been met.

Permanently Restricted Net Assets include gifts, trusts, and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

The Foundation has only unrestricted and temporarily restricted net assets as of December 31, 2013 and 2012.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
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Revenue Recognition

Grants or contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants and contributions restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, which increase those net asset classifications. When a donor restriction expires, that is, when a time restriction ends or stipulated purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Grants and contributions, including unconditional promises to give, that are expected to be received within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their expected future cash flows, which approximates fair value. All grants receivable as of December 31, 2013 and 2012 are expected to be collected within one year, therefore no discount rate in determination of the present value of this balance is necessary.

Conference revenues that have been collected, but for which the conference has not been held as of the year end, are considered not yet earned and included in deferred revenue in the statement of financial position.

Use of Estimates

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

In-Kind Contributions

In-kind contributions include donated goods and services that are recognized as revenues and expenses based on the estimated fair value of the goods or services as of the date provided. The Foundation received \$22,087 and \$27,787 in in-kind professional services in the year ended December 31, 2013 and 2012, respectively.

Income Tax

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is exempt from income tax.

The Foundation accounts for uncertainty in income taxes recognized in the financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold.

Currently, all of the Foundation's federal exempt organization returns are subject to examination by the Internal Revenue Service since inception in 2011.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
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Reclassification

Certain items on the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

Subsequent Events

Subsequent events were evaluated for recognition or disclosure through August 15, 2014, the date the financial statements were available to be issued.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2013 and 2012 are designated for the following purposes:

	<u>2013</u>	<u>2012</u>
Pediatric cancer research and high impact programs	\$ 6,680,512	\$ 6,963,100
Project: EveryChild	1,430,316	187,740
Pride fund	329,123	-
Myeloid Committee	200,000	-
Nursing discipline	158,255	6,230
Adolescent and young adult	89,812	295,792
GALOP Infrastructure project	50,000	-
Neuroblastoma 14-gene research	40,000	-
Jedi Gino Rhabdo research	18,593	-
Ependymoma research	16,000	16,000
Wilms tumor research	3,638	3,638
Total	<u>\$ 9,016,249</u>	<u>\$ 7,472,500</u>

4. Net Assets Released From Restrictions

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors during the year ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pediatric cancer research and high impact programs	\$ 7,175,500	\$ 5,767,800
Adolescent and young adult	522,888	191,327
Neuroblastoma ALK	-	50,000
Nursing discipline	17,647	-
Project: EveryChild	3,500	-
Total	<u>\$ 7,719,535</u>	<u>\$ 6,009,127</u>

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
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5. Concentrations of Risk

For the years ended December 31, 2013 and 2012 approximately 68% and 94% of revenues were from one organization and approximately 93% and 97% of the grants receivable balance was due from one organization, respectively.

The Foundation's grants receivable are unsecured and are at risk to the extent such amounts become uncollectible. Management carefully monitors its contributor and grantor relationships in order to minimize credit risk. All grants receivable are considered fully collectible and accordingly, no allowance for uncollectible accounts has been recorded at December 31, 2013 and 2012.

The Foundation maintains its cash account in one bank. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At various times during the year, the Foundation has balances in excess of FDIC insured limits. The Foundation has not experienced any losses on such accounts.