

TOWER CANCER RESEARCH FOUNDATION

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR 2013**

TOWER CANCER RESEARCH FOUNDATION
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CERTIFIED PUBLIC ACCOUNTANTS
&
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

April 28, 2015

To the Board of Directors of
Tower Cancer Research Foundation
Beverly Hills, California

We have audited the accompanying financial statements of Tower Cancer Research Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, 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.

Auditor's 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 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.

INDEPENDENT AUDITORS' REPORT (CONT.)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tower Cancer Research Foundation as of December 31, 2014, 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 Tower Cancer Research Foundation's 2013 financial statements, and our report dated September 9, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NSBN LLP

NSBN LLP
Beverly Hills, California

NSBN

TOWER CANCER RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 209,733	\$ 163,475
Program fee receivables	107,517	153,527
Contributions receivable	535,115	103,500
Investments	3,573,658	3,587,650
Deposits	45,410	49,176
TOTAL CURRENT ASSETS	4,471,433	4,057,328
Fixed assets, net	60,970	63,027
TOTAL ASSETS	\$ 4,532,403	\$ 4,120,355
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 83,167	\$ 117,105
Accrued expenses	31,786	57,422
Deferred program fees	-	23,249
Pledges payable - current portion	400,000	400,000
TOTAL CURRENT LIABILITIES	514,953	597,776
Non-Current Liabilities		
Pledges payable - long term portion	400,000	800,000
TOTAL LIABILITIES	914,953	1,397,776
NET ASSETS		
Unrestricted	2,414,265	2,466,047
Temporarily restricted	1,203,185	256,532
TOTAL NET ASSETS	3,617,450	2,722,579
TOTAL LIABILITIES AND NET ASSETS	\$ 4,532,403	\$ 4,120,355

See accompanying auditors' report.
The notes are an integral part of these financial statements.

TOWER CANCER RESEARCH FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
REVENUE AND PUBLIC SUPPORT				
Public support				
Contributions	\$ 518,326	\$ 997,937	\$ 1,516,263	\$ 809,458
Special events (net of expenses of \$458,259)	994,721	-	994,721	671,623
Investment gain	109,622	-	109,622	433,718
Research studies	99,828	-	99,828	121,447
Interest and dividend income	86,071	-	86,071	74,042
Net assets released from restrictions:				
Satisfaction of purpose	51,284	(51,284)	-	-
TOTAL REVENUE AND PUBLIC SUPPORT	<u>1,859,852</u>	<u>946,653</u>	<u>2,806,505</u>	<u>2,110,288</u>
EXPENSES				
Program services	1,251,377	-	1,251,377	1,067,420
General and administrative	337,336	-	337,336	258,842
Fundraising	322,921	-	322,921	207,426
TOTAL EXPENSES	<u>1,911,634</u>	<u>-</u>	<u>1,911,634</u>	<u>1,533,688</u>
CHANGE IN NET ASSETS	(51,782)	946,653	894,871	576,600
NET ASSETS AT BEGINNING OF YEAR	<u>2,466,047</u>	<u>256,532</u>	<u>2,722,579</u>	<u>2,145,979</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,414,265</u>	<u>\$ 1,203,185</u>	<u>\$ 3,617,450</u>	<u>\$ 2,722,579</u>

See accompanying auditors' report.
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TOWER CANCER RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2013

	Program Services	Supporting Services		2014	2013
		General and Administrative	Fundraising		
Salaries	\$ 283,854	\$ 151,397	181,844	\$ 617,095	\$ 530,913
Payroll taxes	21,881	10,982	13,092	45,955	33,892
Employee benefits	5,693	11,411	14,767	31,871	51,218
Total salary related expenses	<u>311,428</u>	<u>173,790</u>	<u>209,703</u>	<u>694,921</u>	<u>616,023</u>
Grants	400,000	-	-	400,000	330,000
Outreach programs	181,978	890	890	183,758	120,820
Research expenses	108,348	-	-	108,348	88,546
Occupancy	39,479	18,921	18,921	77,321	89,684
Insurance	52,080	17,240	-	69,320	65,951
Information technology	30,658	15,330	15,330	61,318	29,588
Banking and investment fees	-	24,578	28,592	53,170	27,763
Professional fees	638	46,438	-	47,076	30,018
Office expenses	21,196	10,597	10,597	42,390	14,758
Advertising and promotion	42,212	-	-	42,212	11,355
Printing and postage	24,568	-	-	24,568	49,247
Travel	12,175	6,088	6,088	24,351	11,944
Outside services	9,976	4,988	4,988	19,952	5,806
Fundraising expenses	-	-	19,491	19,491	-
Miscellaneous expense	-	10,155	-	10,155	18,140
Educational seminars	4,752	2,377	2,377	9,506	12,503
Office equipment	1,682	841	841	3,364	3,844
Donations	-	-	-	-	1,500
Expenses before depreciation	<u>1,241,170</u>	<u>332,233</u>	<u>317,818</u>	<u>1,891,221</u>	<u>1,527,490</u>
Depreciation	<u>10,207</u>	<u>5,103</u>	<u>5,103</u>	<u>20,413</u>	<u>6,198</u>
Total expenses 2014	<u>\$ 1,251,377</u>	<u>\$ 337,336</u>	<u>\$ 322,921</u>	<u>\$ 1,911,634</u>	
Total expenses 2013	<u>\$ 1,067,420</u>	<u>\$ 258,842</u>	<u>\$ 207,426</u>		<u>\$ 1,533,688</u>

See accompanying auditors' report.
The notes are an integral part of these financial statements.

TOWER CANCER RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 894,871	\$ 576,600
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	20,413	6,198
Investment (gain)	(109,622)	(433,718)
(Increase) decrease in assets:		
Program fees receivable	46,010	127,632
Contributions receivable	(431,615)	54,892
Deposits	3,766	238
Inventory	-	12,772
Note receivable	-	55,250
Increase (decrease) in liabilities:		
Accounts payable	(33,938)	24,690
Accrued expenses	(25,636)	(11,539)
Deferred program fees	(23,249)	(162,772)
Pledges payable	(400,000)	(800,000)
NET CASH USED IN OPERATING ACTIVITIES	(59,000)	(549,757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	281,180	-
Purchase of investments	(157,566)	(465,654)
Purchase of property and equipment	(18,356)	(15,320)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	105,258	(480,974)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	46,258	(1,030,731)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	163,475	1,194,206
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 209,733	\$ 163,475

See accompanying auditors' report.
The notes are an integral part of these financial statements.

TOWER CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 ORGANIZATION

Tower Cancer Research Foundation ("TCRF") is a nonprofit corporation organized under the laws of the State of California.

Tower Cancer Research Foundation provides grants for clinical trials, innovative research, caring patient support and community education, primarily in Southern California to promote more effective treatments for cancer and blood disorders.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-

The financial statements of TCRF have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation-

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These standards require that TCRF report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted -

The unrestricted class is the portion of the net assets of TCRF that are not subject to donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of TCRF and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Temporarily Restricted-

The temporarily restricted class is the portion of the net assets of TCRF resulting from contributions and other inflows of assets whose use by TCRF is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of TCRF pursuant to those stipulations. The majority of contributions with restrictions are stipulated to be used as funding for specific projects.

Permanently Restricted-

The permanently restricted class is the portion used to record resources received that are permanently restricted as to use by the donor or grantor. TCRF has no permanently restricted net assets at December 31, 2014.

Program Fees Receivable-

Represents amounts owed to TCRF for clinical trials. For the year ended December 31, 2014, the allowance for doubtful accounts was \$93,956.

Advertising-

Advertising costs are charged to operations when incurred and are included in functional expenses.

TOWER CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and Cash Equivalents-

For the purposes of the financial statement, TCRF considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Contributions-

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a 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 statement of activities as net assets released from restrictions.

Donated Services and Materials-

TCRF recognizes as support only those donated services which create or enhance non-financial assets or which require specialized skills which TCRF would otherwise have paid for. Donated materials are recognized as contributions at their fair values at the date of donation. No amounts have been reflected in the financial statements for donated services or materials for the year ended December 31, 2014.

Functional Allocation of Expenses-

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities, and in the statement of functional expenses. Accordingly, certain costs have been allocated between programs and supporting services in reasonable ratios determined by management.

Property and Equipment-

Property and equipment are recorded at historical cost and are being depreciated using the straight-line method over the estimated useful life of the assets. The following lives have been assigned:

Computers and equipment	3 - 7 years
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Expenditures for maintenance, repairs, and renewals of minor items are charged to expense as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

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, disclosures 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.

TOWER CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Tax Status-

TCRF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

TCRF files IRS Form 990 and State Forms 199 and RRF-1. Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. TCRF recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of TCRF does not believe the financial statements include any uncertain tax positions. With few exceptions, TCRF is no longer subject to U.S. federal and state examinations by tax authorities for the years before 2011 and 2010, respectively.

Summarized Comparative Financial 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 TCRF's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassifications

Certain amounts from the December 31, 2013 financial statements have been reclassified, where appropriate, to conform with the December 31, 2014 financial statement presentation.

Subsequent Events-

Management has evaluated subsequent events through April 28, 2015, the date the financial statements were available to be issued.

Note 3 GRANTS AND PLEDGES RECEIVABLE

Promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are deemed to be fully collectible. Accordingly, no allowance was established.

Receivable in less than one year	\$	135,115
Receivable in one year to five years		400,000
Total grants and pledges receivable	\$	535,115

TCRF has not recorded a discount on contributions to be received beyond one year. The discount was not material to the financial statements.

TOWER CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4 FIXED ASSETS

Fixed assets consists of the following:

Computer equipment	\$	35,888
Furniture and fixtures		139,002
Medical equipment		3,735
Leasehold Improvements		<u>18,355</u>
		196,980
 Less: Accumulated depreciation		 <u>(136,010)</u>
 Total fixed assets, net	 \$	 <u><u>60,970</u></u>

Note 5 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of December 31, 2014 are as follows:

Equities	\$	2,226,016
Fixed income		<u>1,347,642</u>
 Total investments	 \$	 <u><u>3,573,658</u></u>

Generally accepted accounting principles establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 2,226,016	\$ 2,226,016	\$ -	\$ -
Fixed income	<u>1,347,642</u>	<u>1,347,642</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 3,573,658</u></u>	<u><u>\$ 3,573,658</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWER CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5 INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Breast cancer awareness	\$	716,734
Mesothelioma cancer		318,784
Gaucher disease		148,383
Diane Suddleson fund		17,887
Lippin fund		<u>1,397</u>
Total	\$	<u><u>1,203,185</u></u>

Note 7 NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors.

Purpose Restrictions Accomplished:

Lippin fund	\$	26,284
Psychosocial programs		<u>25,000</u>
Total	\$	<u><u>51,284</u></u>

Note 8 COMMITMENTS AND CONTINGENCIES

TCRF rents their office space under a 5-year lease agreement effective March 1, 2010. Rent expense paid under the agreement for the year ended December 31, 2014 was \$77,321.

The future minimum annual rental payments are as follows for years ending December 31:

2015	\$	<u>15,649</u>
		<u><u>15,649</u></u>

In May 2012, TCRF promised \$2,000,000 to Cedars-Sinai Medical Center. Payments are due as follows for years ended December 31:

2015	\$	400,000
2016		<u>400,000</u>
		<u><u>800,000</u></u>

TOWER CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 9 CASH IN BANK - CONCENTRATION OF CREDIT RISK

TCRF maintains its cash and cash equivalents at a bank which may, at times, exceed federally insured limits. TCRF has not experienced any losses in such accounts and believes that the solvency of the relevant financial institution is not of particular concern.