

**TOWER CANCER RESEARCH FOUNDATION**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS FOR 2014**

TOWER CANCER RESEARCH FOUNDATION  
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DECEMBER 31, 2015

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## INDEPENDENT AUDITORS' REPORT

May 3, 2016

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, 2015, 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.

### **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 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, 2015, 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 2014 financial statements, and our report dated April 28, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NSBN LLP

NSBN LLP  
Los Angeles, California

TOWER CANCER RESEARCH FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 675,990	\$ 209,733
Program fee receivables	41,340	107,517
Contributions receivable	275,000	535,115
Investments	2,994,726	3,573,658
Deposits	223,359	45,410
TOTAL CURRENT ASSETS	4,210,415	4,471,433
Fixed assets, net	608,505	60,970
TOTAL ASSETS	\$ 4,818,920	\$ 4,532,403
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 43,063	\$ 83,167
Accrued expenses	19,677	31,786
Pledges payable - current portion	1,033,000	400,000
TOTAL CURRENT LIABILITIES	1,095,740	514,953
Non-Current Liabilities		
Pledges payable - long term portion	1,108,000	400,000
TOTAL LIABILITIES	2,203,740	914,953
<b>NET ASSETS</b>		
Unrestricted	1,257,713	2,414,265
Temporarily restricted	1,357,467	1,203,185
TOTAL NET ASSETS	2,615,180	3,617,450
TOTAL LIABILITIES AND NET ASSETS	\$ 4,818,920	\$ 4,532,403

See accompanying independent 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, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>2014</u>
<b>REVENUE AND PUBLIC SUPPORT</b>				
Public support				
Contributions	\$ 1,457,588	\$ 924,641	\$ 2,382,229	\$ 1,516,263
Special events (net of expenses of \$643,929)	1,224,359	-	1,224,359	994,721
Research studies	113,682	-	113,682	99,828
Interest and dividend income	87,761	-	87,761	86,071
Investment gain (loss)	(21,658)	-	(21,658)	109,622
Net assets released from restrictions:				
Satisfaction of purpose	<u>770,359</u>	<u>(770,359)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND PUBLIC SUPPORT</b>	<u>3,632,091</u>	<u>154,282</u>	<u>3,786,373</u>	<u>2,806,505</u>
<b>EXPENSES</b>				
Program services	3,604,058	-	3,604,058	1,251,377
General and administrative	394,214	-	394,214	337,336
Fundraising	<u>390,436</u>	<u>-</u>	<u>390,436</u>	<u>322,921</u>
<b>TOTAL EXPENSES</b>	<u>4,388,708</u>	<u>-</u>	<u>4,388,708</u>	<u>1,911,634</u>
Write Down of Contributions Receivable	<u>(399,935)</u>	<u>-</u>	<u>(399,935)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,156,552)</u>	<u>154,282</u>	<u>(1,002,270)</u>	<u>894,871</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,414,265</u>	<u>1,203,185</u>	<u>3,617,450</u>	<u>2,722,579</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,257,713</u>	<u>\$ 1,357,467</u>	<u>\$ 2,615,180</u>	<u>\$ 3,617,450</u>

See accompanying independent auditors' report.  
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TOWER CANCER RESEARCH FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	Program Services	Supporting Services		2015	2014
		General and Administrative	Fundraising		
Salaries	\$ 226,815	\$ 159,353	189,592	\$ 575,760	\$ 617,095
Payroll taxes	13,927	14,426	17,016	45,369	45,955
Employee benefits	26,416	24,771	29,278	80,465	31,871
Total salary related expenses	<u>267,158</u>	<u>198,550</u>	<u>235,886</u>	<u>701,594</u>	<u>694,921</u>
Grants	2,532,125	-	-	2,532,125	400,000
Outreach programs	580,425	3,926	3,926	588,277	183,758
Occupancy	47,817	23,909	23,909	95,635	77,321
Professional fees	2,591	71,191	-	73,782	47,076
Insurance	59,056	3,260	3,260	65,576	69,320
Information technology	30,122	15,062	15,062	60,246	61,318
Banking and investment fees	-	25,051	23,977	49,028	53,170
Advertising and promotion	3,598	5,092	32,031	40,721	42,212
Office expenses	19,532	9,796	9,678	39,006	42,390
Outside services	15,407	7,703	7,703	30,813	19,952
Travel	13,052	6,524	6,524	26,100	24,351
Printing and postage	4,233	2,501	12,506	19,240	24,568
Miscellaneous expense	-	12,245	-	12,245	10,155
Educational seminars	5,226	2,585	2,585	10,396	9,506
Research expenses	10,075	-	-	10,075	108,348
Office equipment	4,139	2,069	2,069	8,277	3,364
Fundraising expenses	-	-	6,570	6,570	19,491
Expenses before depreciation	<u>3,594,556</u>	<u>389,464</u>	<u>385,686</u>	<u>4,369,706</u>	<u>1,891,221</u>
Depreciation	<u>9,502</u>	<u>4,750</u>	<u>4,750</u>	<u>19,002</u>	<u>20,413</u>
Total expenses 2015	<u>\$ 3,604,058</u>	<u>\$ 394,214</u>	<u>\$ 390,436</u>	<u>\$ 4,388,708</u>	
Total expenses 2014	<u>\$ 1,251,377</u>	<u>\$ 337,336</u>	<u>\$ 322,921</u>		<u>\$ 1,911,634</u>

See accompanying independent 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, 2015  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,002,270)	\$ 894,871
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,002	20,413
Investment (gain) loss	21,658	(109,622)
(Increase) decrease in assets:		
Program fees receivable	66,177	46,010
Contributions receivable	260,115	(431,615)
Deposits	(177,949)	3,766
	-	-
Increase (decrease) in liabilities:		
Accounts payable	(40,104)	(33,938)
Accrued expenses	(12,109)	(25,636)
Deferred program fees	-	(23,249)
Pledges payable	1,341,000	(400,000)
	475,520	(59,000)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	692,761	281,180
Purchase of investments	(135,487)	(157,566)
Purchase of property and equipment	(566,537)	(18,356)
	(9,263)	105,258
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>NET INCREASE IN CASH</b>	466,257	46,258
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	209,733	163,475
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 675,990	\$ 209,733

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



TOWER CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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, 2015.

Program Fees Receivable-

Represents amounts owed to TCRF for clinical trials. For the year ended December 31, 2015, all doubtful accounts were written off.

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, 2015

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, 2015.

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
Leasehold improvements	15 years

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.

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, 2014, from which the summarized information was derived.

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.

TOWER CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Tax Status (cont.)-

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 2012 and 2011, respectively.

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.

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.

Subsequent Events-

Management has evaluated subsequent events through May 3, 2016, 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	\$	100,000
Receivable in one year to five years		<u>175,000</u>
Total grants and pledges receivable	\$	<u><u>275,000</u></u>

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, 2015

Note 4      **FIXED ASSETS**

Fixed assets consists of the following:

Computer equipment	\$	122,860
Furniture and fixtures		238,804
Medical equipment		3,735
Leasehold Improvements		398,118
		763,517
 Less: Accumulated depreciation		 (155,012)
 Total fixed assets, net	 \$	 608,505

Note 5      **INVESTMENTS AND FAIR VALUE MEASUREMENT**

Investments as of December 31, 2015 are as follows:

Equities	\$	1,799,755
Fixed income		1,194,971
		2,994,726
Total investments	\$	2,994,726

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.

TOWER CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Note 5 INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 1,799,755	\$ 1,799,755	\$ -	\$ -
Fixed income	<u>1,194,971</u>	<u>1,194,971</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,994,726</u>	<u>\$ 2,994,726</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 883,228
Lippin fund	276,397
Mesothelioma cancer	110,472
General research	35,150
Gaucher disease	33,133
Diane Suddleson fund	17,887
Lymphoma research	<u>1,200</u>
Total	<u>\$ 1,357,467</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:

Mesothelioma cancer	\$ 432,895
Breast cancer awareness	183,464
Gaucher disease	129,000
Lippin fund	<u>25,000</u>
Total	<u>\$ 770,359</u>

TOWER CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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, 2015 was \$95,635. The lease expires on January 2016.

The Organization entered into a new office lease agreement in October 2015.

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

2016	\$	345,316
2017		355,675
2018		366,346
2019		377,336
2020		388,656
Thereafter		<u>2,010,174</u>
	\$	<u><u>3,843,503</u></u>

TCRF has entered into various pledge agreements to provide funds for cancer research. Payments are due as follows for years ended December 31:

2016	\$	1,033,000
2017		633,000
2018		275,000
2019		<u>200,000</u>
	\$	<u><u>2,141,000</u></u>

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.