

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018



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TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tower Cancer Research Foundation, Inc. and Subsidiary
Beverly Hills, California

We have audited the accompanying consolidated financial statements of Tower Cancer Research Foundation, Inc. (a nonprofit organization) and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Tower Cancer Research Foundation, Inc. and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tower Cancer Research Foundation, Inc. and Subsidiary as of December 31, 2018, and the changes in their net assets and their 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

The December 31, 2017 summarized comparative information has been derived from Tower Cancer Research Foundation, Inc. and Subsidiary's financial statements and in our report dated April 30, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP
Los Angeles, California
July 9, 2019

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 352,157	\$ 411,788
Contributions receivable	362,453	213,434
Investments, at fair value	1,476,662	1,560,111
Deposits	78,458	74,453
TOTAL CURRENT ASSETS	2,269,730	2,259,786
Non-Current Assets		
Contributions receivable - long term portion	305,000	-
Fixed assets, net	742,472	905,848
TOTAL ASSETS	\$ 3,317,202	\$ 3,165,634
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 104,798	\$ 57,402
Accrued expenses	26,696	28,053
Pledges payable - current portion	853,000	700,000
Deferred revenue	10,000	5,112
TOTAL CURRENT LIABILITIES	994,494	790,567
Non-Current Liabilities		
Pledges payable - long term portion	1,200,000	1,000,000
TOTAL LIABILITIES	2,194,494	1,790,567
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(1,074,481)	(614,453)
Invested in Fixed Assets	742,472	905,848
Total Without Donor Restrictions	(332,009)	291,395
With Donor Restrictions:		
Purpose Restrictions	1,454,717	1,083,672
Total With Donor Restrictions	1,454,717	1,083,672
Total Net Assets	1,122,708	1,375,067
TOTAL LIABILITIES AND NET ASSETS	\$ 3,317,202	\$ 3,165,634

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

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018</u>	<u>2017</u>
REVENUE AND PUBLIC SUPPORT				
Public support				
Special events (net of expenses of \$679,118)	\$ 902,681	\$ 838,860	\$ 1,741,541	\$ 1,323,170
Contributions	1,153,618	576,170	1,729,788	1,029,229
Interest and dividend income	26,754	-	26,754	56,397
Research studies	59	-	59	3,640
Investment gain (loss)	(92,420)	-	(92,420)	159,250
Net assets released from restrictions:				
Satisfaction of purpose	<u>1,043,985</u>	<u>(1,043,985)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND PUBLIC SUPPORT	 <u>3,034,677</u>	 <u>371,045</u>	 <u>3,405,722</u>	 <u>2,571,686</u>
EXPENSES				
Program services	2,665,238	-	2,665,238	2,070,044
General and administrative	438,391	-	438,391	410,082
Fundraising	<u>554,452</u>	<u>-</u>	<u>554,452</u>	<u>514,069</u>
 TOTAL EXPENSES	 <u>3,658,081</u>	 <u>-</u>	 <u>3,658,081</u>	 <u>2,994,195</u>
 CHANGE IN NET ASSETS	 (623,404)	 371,045	 (252,359)	 (422,509)
 NET ASSETS AT BEGINNING OF YEAR	 <u>291,395</u>	 <u>1,083,672</u>	 <u>1,375,067</u>	 <u>1,797,576</u>
 NET ASSETS AT END OF YEAR	 <u>\$ (332,009)</u>	 <u>\$ 1,454,717</u>	 <u>\$ 1,122,708</u>	 <u>\$ 1,375,067</u>

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

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		2018	2017
		General and Administrative	Fundraising		
Salaries	\$ 210,077	\$ 187,570	312,993	\$ 710,640	\$ 650,911
Payroll taxes	15,910	14,205	23,704	53,819	49,815
Employee benefits	28,451	25,402	42,388	96,241	95,556
Total salary related expenses	<u>254,438</u>	<u>227,177</u>	<u>379,085</u>	<u>860,700</u>	<u>796,282</u>
Grants	1,631,400			1,631,400	1,045,443
Occupancy	389,460	77,892	51,928	519,280	464,085
Outreach programs	156,174	-	-	156,174	169,440
Marketing and public relations	45,222	4,234	11,108	60,564	89,878
Insurance	33,784	13,317	2,304	49,405	61,376
Information technology	27,625	13,813	13,813	55,251	49,475
Professional fees	-	33,558	-	33,558	31,805
Banking fees	-	-	10,769	10,769	30,446
Meetings	7,143	3,572	15,714	26,429	29,726
Office expenses	14,492	6,449	6,449	27,390	26,838
Fundraising expenses	-	-	23,934	23,934	10,477
Miscellaneous expense	-	12,320		12,320	7,078
Office equipment	4,899	2,450	2,450	9,799	8,871
Printing and postage	3,141	628	2,513	6,282	4,309
Outside services	2,901	-	-	2,901	1,783
Expenses before depreciation	<u>2,570,679</u>	<u>395,410</u>	<u>520,067</u>	<u>3,486,156</u>	<u>2,827,312</u>
Depreciation	<u>94,559</u>	<u>42,981</u>	<u>34,385</u>	<u>171,925</u>	<u>166,883</u>
Total expenses 2018	<u>\$ 2,665,238</u>	<u>\$ 438,391</u>	<u>\$ 554,452</u>	<u>\$ 3,658,081</u>	
Total expenses 2017	<u>\$ 2,070,044</u>	<u>410,082</u>	<u>\$ 514,069</u>		<u>\$ 2,994,195</u>

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

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (252,359)	\$ (422,509)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	171,925	166,883
Investment (gain) loss	92,420	(159,250)
(Increase) decrease in assets:		
Contributions receivable	(454,019)	73,845
Deposits	(4,005)	(12,579)
Increase (decrease) in liabilities:		
Accounts payable	47,396	(51,715)
Accrued expenses	(1,357)	(852)
Pledges payable	353,000	(399,667)
Deferred revenue	4,888	5,112
NET CASH USED IN OPERATING ACTIVITIES	<u>(42,111)</u>	<u>(800,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,162,221	834,518
Purchase of investments	(1,171,192)	(235,363)
Purchase of property and equipment	(8,549)	(51,542)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(17,520)</u>	<u>547,613</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET DECREASE IN CASH	(59,631)	(253,119)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>411,788</u>	<u>664,907</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 352,157</u>	<u>\$ 411,788</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR:		
Interest	\$ <u>-</u>	\$ <u>-</u>
Taxes	\$ <u>4,787</u>	\$ <u>-</u>

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

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 ORGANIZATION

Tower Cancer Research Foundation, Inc. and Subsidiary (collectively, "the Foundation") is a nonprofit corporation organized under the laws of the State of California.

The 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 consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary. The consolidated financial statements of the Foundation 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 the Foundation report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions-

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions-

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Advertising-

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

Cash and Cash Equivalents-

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

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions-

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor limitations on the use of the support. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Donated Services and Assets-

The Foundation recognizes as support only those donated services which create or enhance non-financial assets or which require specialized skills which the Foundation would otherwise have paid for. Donated assets are recognized as contributions at their fair values at the date of donation.

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
Furniture and fixtures	5 years
Leasehold improvements	10 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 consolidated 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 the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Tax Status-

The Foundation 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.

The Foundation 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. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Foundation does not believe the consolidated financial statements include any uncertain tax positions.

Use of Estimates-

The preparation of consolidated 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 consolidated 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 consolidated statement of activities, and in the consolidated statement of functional expenses. Accordingly, certain costs, such as occupancy, have been allocated between programs and supporting services by square footage of usage. Salaries and benefits are allocated upon management's estimates, as well as information technology.

Reclassification-

Certain 2017 financial information has been reclassified to conform to the 2018 presentation. The reclassifications have no impact on the previously reported changes in net assets.

Change in Accounting Principle-

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Subsequent Events-

Management has evaluated subsequent events through July 9, 2019, the date the consolidated financial statements were available to be issued.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$	352,157
Grants and Pledges Receivable		362,453
Operating Investments		<u>21,945</u>
Total	\$	<u><u>736,555</u></u>

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, and money market funds.

Note 4 CONTRIBUTIONS RECEIVABLE

Promises to give are included in the consolidated 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	\$	362,453
Receivable in one year to five years		<u>305,000</u>
Total contributions receivable	\$	<u><u>667,453</u></u>

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

Note 5 FIXED ASSETS

Fixed assets consists of the following:

Leasehold Improvements	\$	873,827
Furniture and fixtures		247,501
Computer equipment		<u>101,907</u>
		1,223,235
Less: Accumulated depreciation		<u>(480,763)</u>
Total fixed assets, net	\$	<u><u>742,472</u></u>

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 6 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of December 31, 2018 are as follows:

Common stock	\$	757,956
Corporate bonds		530,415
Municipal bonds		107,008
Exchange-traded funds (ETFs)		<u>81,283</u>
Total investments	\$	<u><u>1,476,662</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.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Other Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 757,956	\$ 757,956	\$ -	\$ -
Corporate bonds	530,415	530,415	-	-
Municipal bonds	107,008	107,008	-	-
ETFs	<u>81,283</u>	<u>81,283</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 1,476,662</u></u>	<u><u>\$ 1,476,662</u></u>	<u><u>\$ -</u></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. There were no transfers among the investment designated levels during the year.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Breast Cancer Research	\$	524,768
Precision Clinical Trials		382,317
Lippin Fund		350,000
Black Family Fund		61,977
Various Programs		36,861
Meryl Kern Survivorship		35,097
Gaucher Disease		33,133
Exercise Program		<u>30,564</u>
Total	\$	<u><u>1,454,717</u></u>

Note 8 COMMITMENTS AND CONTINGENCIES

The Foundation rents their office space under a 10-year lease agreement effective October 1, 2015. Rent expense paid under the agreement for the year ended December 31, 2018 was \$367,761. The lease expires on September 30, 2025.

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

2019	\$	378,435
2020		389,788
2021		401,482
2022		413,526
2023		425,932
Thereafter		<u>775,090</u>
	\$	<u><u>2,784,253</u></u>

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

2019	\$	853,000
2020		520,000
2021		280,000
2022		100,000
2023		100,000
Thereafter		<u>200,000</u>
	\$	<u><u>2,053,000</u></u>

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 9 CASH IN BANK - CONCENTRATION OF CREDIT RISK

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

