



CANCER RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cancer Research Institute, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Cancer Research Institute, Inc. (the "Institute"), which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Institute's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, 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 Cancer Research Institute, Inc. as of June 30, 2016 and 2015, 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.



New York, New York
September 21, 2016

CANCER RESEARCH INSTITUTE, INC.**Statements of Financial Position**

	June 30,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 15,824,047	\$ 16,454,175
Pledges receivable	48,580,061	30,442,877
Bequests and trusts receivable	1,376,298	2,457,218
Other receivables	416,330	295,042
Prepaid expenses	477,990	381,289
Investments	43,986,515	46,132,995
Office equipment and leasehold improvements, net	<u>107,083</u>	<u>185,695</u>
	<u>\$ 110,768,324</u>	<u>\$ 96,349,291</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 399,716	\$ 514,813
Annuities payable	103,227	145,251
Grants and fellowships payable	56,520,616	50,573,020
Deferred rent	73,267	147,955
Refundable deposit	<u>18,400</u>	<u>18,400</u>
	<u>57,115,226</u>	<u>51,399,439</u>
Commitments (Note L)		
NET ASSETS		
Unrestricted:		
Undesignated, available for operations	20,677,545	22,276,223
Board-designated as endowment	<u>3,249,328</u>	<u>3,365,167</u>
Total unrestricted	23,926,873	25,641,390
Temporarily restricted	26,246,231	15,787,508
Permanently restricted	<u>3,479,994</u>	<u>3,520,954</u>
	<u>53,653,098</u>	<u>44,949,852</u>
	<u>\$ 110,768,324</u>	<u>\$ 96,349,291</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statements of Activities

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenues:								
Public support:								
General, trustee, and related	\$ 4,964,054			\$ 4,964,054	\$ 3,785,726			\$ 3,785,726
Combined federal campaigns	395,219	\$ 287,736		682,955	136,058	\$ 291,761		427,819
Bequests/memorials	1,958,353			1,958,353	3,915,373			3,915,373
Special events (net of direct benefit to donors of \$420,662 in 2016 and \$362,413 in 2015)	2,657,320	7,077		2,664,397	4,183,138	114,919		4,298,057
Designated contributions (including in-kind contributions of services of \$491,238 in 2016 and \$726,183 in 2015)	11,650,822	20,146,703		31,797,525	14,476,927	825,089		15,302,016
Total public support	<u>21,625,768</u>	<u>20,146,703</u>		<u>42,067,284</u>	<u>26,497,222</u>	<u>1,231,769</u>		<u>27,728,991</u>
Operating revenues:								
Rental loss (net of related expenses of \$126,994, in 2016 and \$127,002 in 2015)	(44,707)			(44,707)	(44,715)			(44,715)
Investment income allocation	2,038,862			2,038,862	1,938,992			1,938,992
Miscellaneous	198,695			198,695	128,454			128,454
Total operating revenues	<u>2,192,850</u>			<u>2,192,850</u>	<u>2,022,731</u>			<u>2,022,731</u>
Net assets released from restrictions for operations	9,881,716	(9,881,716)		0	12,806,104	(12,806,104)		0
Total operating support and revenues	<u>33,700,334</u>	<u>10,559,800</u>		<u>44,260,134</u>	<u>41,326,057</u>	<u>(11,574,335)</u>		<u>29,751,722</u>
Operating expenses:								
Program services:								
Science, medical and research information, and communications	4,760,683			4,760,683	5,420,647			5,420,647
Research	22,648,192			22,648,192	28,769,375			28,769,375
Total program services	<u>27,408,875</u>			<u>27,408,875</u>	<u>34,190,022</u>			<u>34,190,022</u>
Supporting services:								
Administration	1,213,948			1,213,948	1,091,015			1,091,015
Marketing and development	2,848,646			2,848,646	3,843,334			3,843,334
Total supporting services	<u>4,062,594</u>			<u>4,062,594</u>	<u>4,934,349</u>			<u>4,934,349</u>
Total expenses	<u>31,471,469</u>			<u>31,471,469</u>	<u>39,124,371</u>			<u>39,124,371</u>
Change from operating activities	2,228,865	10,559,800		12,788,665	2,201,686	(11,574,335)		(9,372,649)
Non-operating activities:								
Net investment (loss) income in excess of investment allocation	(3,943,382)	(101,077)		(4,044,459)	1,409,415	132,836		1,542,251
Change in value of perpetual trust			\$ (40,960)	(40,960)			\$ (38,920)	(38,920)
Change in net assets	<u>(1,714,517)</u>	<u>10,458,723</u>	<u>(40,960)</u>	<u>8,703,246</u>	<u>3,611,101</u>	<u>(11,441,499)</u>	<u>(38,920)</u>	<u>(7,869,318)</u>
Net assets - beginning of year	25,641,390	15,787,508	3,520,954	44,949,852	22,030,289	27,229,007	3,559,874	52,819,170
Net assets - end of year	<u>\$ 23,926,873</u>	<u>\$ 26,246,231</u>	<u>\$ 3,479,994</u>	<u>\$ 53,653,098</u>	<u>\$ 25,641,390</u>	<u>\$ 15,787,508</u>	<u>\$ 3,520,954</u>	<u>\$ 44,949,852</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statement of Functional Expenses

Year Ended June 30, 2016

(with summarized financial information for 2015)

	Program Services			Support Services			Totals	
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	2016	2015
Fellowship program		\$ 4,326,339	\$ 4,326,339				\$ 4,326,339	\$ 3,506,461
Designated grants program		440,000	440,000				440,000	619,500
Clinical accelerator program		15,606,853	15,606,853				15,606,853	22,048,892
CLIP grants program		2,275,000	2,275,000				2,275,000	2,594,522
Salaries, benefits and related taxes	\$ 1,183,925		1,183,925	\$ 732,001	\$ 1,130,570	\$ 1,862,571	3,046,496	2,831,437
Professional fees and commissions	1,631,945		1,631,945	232,586	496,920	729,506	2,361,451	3,133,542
Printing, postage and supplies	124,615		124,615	45,949	195,874	241,823	366,438	406,852
Rent	170,928		170,928	97,890	165,892	263,782	434,710	425,712
Telephone	3,318		3,318	3,317	3,318	6,635	9,953	7,982
Advertising	190,760		190,760	959	93,446	94,405	285,165	273,002
Depreciation and amortization	34,033		34,033	20,943	32,288	53,231	87,264	84,593
Travel and related costs	1,090,477		1,090,477	8,456	34,807	43,263	1,133,740	830,415
Indirect expenses - Ride to Cancer					396,068	396,068	396,068	1,748,273
Insurance expense				35,348		35,348	35,348	21,424
Miscellaneous	330,682		330,682	36,499	299,463	335,962	666,644	591,764
	<u>\$ 4,760,683</u>	<u>\$ 22,648,192</u>	<u>\$ 27,408,875</u>	<u>\$ 1,213,948</u>	<u>\$ 2,848,646</u>	<u>\$ 4,062,594</u>	<u>\$ 31,471,469</u>	<u>\$ 39,124,371</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2015**

	Program Services			Support Services			2015
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	
Fellowship program		\$ 3,506,461	\$ 3,506,461				\$ 3,506,461
Designated grants program		619,500	619,500				619,500
Clinical accelerator program		22,048,892	22,048,892				22,048,892
CLIP grants program		2,594,522	2,594,522				2,594,522
Salaries, benefits and related taxes	\$ 1,194,518		1,194,518	\$ 702,412	\$ 934,507	\$ 1,636,919	2,831,437
Professional fees and commissions	2,756,985		2,756,985	153,094	223,463	376,557	3,133,542
Printing, postage and supplies	135,754		135,754	49,938	221,160	271,098	406,852
Rent	182,492		182,492	90,211	153,009	243,220	425,712
Telephone	2,721		2,721	2,660	2,601	5,261	7,982
Advertising	111,273		111,273	675	161,054	161,729	273,002
Depreciation and amortization	34,683		34,683	21,149	28,761	49,910	84,593
Travel and related costs	723,610		723,610	8,192	98,613	106,805	830,415
Indirect expenses-Ride to Cancer					1,748,273	1,748,273	1,748,273
Insurance expense				21,424		21,424	21,424
Miscellaneous	278,611		278,611	41,260	271,893	313,153	591,764
	<u>\$ 5,420,647</u>	<u>\$ 28,769,375</u>	<u>\$ 34,190,022</u>	<u>\$ 1,091,015</u>	<u>\$ 3,843,334</u>	<u>\$ 4,934,349</u>	<u>\$ 39,124,371</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.**Statements of Cash Flows**

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 8,703,246	\$ (7,869,318)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated securities	(270,736)	(528,368)
Proceeds from sale of donated securities	270,736	528,368
Depreciation and amortization	87,264	84,593
Bad debt expense	73,903	5,920
Net realized and unrealized losses (gains) on investments	2,556,436	(2,986,393)
Change in value of beneficial interest in perpetual trust	40,960	38,920
Changes in:		
Pledges receivable	(17,130,167)	(2,089,523)
Other receivables	(121,288)	(138,706)
Prepaid expenses	(96,701)	(160,254)
Accounts payable and accrued expenses	(157,121)	219,581
Grants and fellowships payable	5,947,596	16,847,138
Deferred rent	(74,688)	(60,621)
Net cash (used in) provided by operating activities	<u>(170,560)</u>	<u>3,891,337</u>
Cash flows from investing activities:		
Purchases of office equipment	(8,652)	(25,622)
Purchases of long-term investments	(17,735,384)	(6,728,521)
Proceeds from sales of long-term investments	<u>17,284,468</u>	<u>6,149,667</u>
Net cash used in investing activities	<u>(459,568)</u>	<u>(604,476)</u>
Net change in cash and cash equivalents	(630,128)	3,286,861
Cash and cash equivalents - beginning of year	<u>16,454,175</u>	<u>13,167,314</u>
Cash and cash equivalents - end of year	<u>\$ 15,824,047</u>	<u>\$ 16,454,175</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Institute:

The Cancer Research Institute, Inc. (the "Institute") was founded in 1953 in New York to foster the field of cancer immunology, in the belief that the body's immune system can be used to control and cure cancer. The Institute supports research with the immediate aim of increasing the understanding of the immune system and with the ultimate goal of developing immunological methods for the prevention and treatment of human cancer. The Institute also functions as a definitive source of public information on cancer immunology and cancer treatment.

The Institute is exempt from federal income taxes pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Institute have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

[3] Functional allocation of expenses:

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

[4] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of commitments and contingencies. Actual results could differ from those estimates.

[5] Operating measure:

Operating revenues and expenses reflect the activities in which the Institute typically engages to fulfill its mission. The Institute utilizes a spending rate in making its annual investment allocation for support of operations. Investment income, including net realized and unrealized gains and losses, earned in excess of or less than the Institute's spending rate is recognized as nonoperating revenue.

[6] Applicability of NYPMIFA:

New York State has enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the terms of which are applicable to the Institute. NYPMIFA principally addresses (i) the "prudent" management and investment of all of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities), and (ii) the appropriations by the governing board of earnings derived from both donor-restricted and board-designated endowment funds. The Institute is in compliance with NYPMIFA's requirements.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Cash and cash equivalents:

For the purposes of the accompanying statements of cash flows, the Institute considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash and cash equivalents restricted as to use and amounts held in the investment portfolio.

[8] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position, with realized and unrealized gains and losses included in the accompanying statements of activities. The Institute's fixed-income, equity mutual funds and exchange-traded mutual funds ("ETFs") are also reported at their fair values, as determined by the related investment manager or advisor and reviewed by the Institute for reasonableness. Donated securities are recorded at their fair values, as determined by the proceeds received on the date of sale, and typically sold upon receipt. The Institute's policy is to sell donated securities immediately. Accordingly, for purposes of the accompanying statements of cash flows, donated securities received and sold within the same year are reported in operating activities. With respect to equity securities received from donors which, for example, are (i) not readily marketable, (ii) the securities of private companies, or (iii) the securities of companies in liquidation, the Institute's policy is to record such items at appraised value at the times of donation, in the absence of readily determinable fair values.

The Institute's investments in limited partnerships are valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner is responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnership. The Institute places reliance upon those procedures and records these investments at fair value as determined by the general partner.

The Institute also has investments in certain not-readily-marketable securities which are ownership interests in private equity securities and certain limited partnerships for which market values are not readily obtainable. The fair value of these investments has been estimated based on the respective net asset value ("NAV") per share (or its equivalent unit) of each investment, as reported by the fund manager. Because of the inherent uncertainty of the valuation of these investments, the Institute's management and its various investment managers monitor their positions continuously, to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform. The estimated values provided by these managers may differ from actual values had a ready market for these investments existed.

Certain of the funds in which the Institute has a position enter into various financial instruments in the normal course of their operations, including derivatives held or issued for trading purposes. These investments are subject to market risks which arise from changes in securities values and other market conditions. As part of their overall trading strategy, the investment funds may engage in the purchase and sale of index and equity options, for the purpose of generating profit and/or reducing market risk. The various managers monitor their positions continuously, to reduce the risk of potential loss due to changes in fair values or to the failure of counterparties to perform. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of the fair values. However, estimated fair values provided by these fund managers may differ significantly from their actual values, had a ready market for these instruments existed.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Investments: (continued)

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Institute's various investment managers in each fiscal year; however, they do not include those fees that may be embedded in various other investment accounts and transactions.

[9] Office equipment and leasehold improvements:

The Institute's office equipment and leasehold improvements are stated at their costs at the dates of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of three to ten years. Leasehold improvements are recorded at cost and are amortized over the life of the lease.

[10] Deferred rent:

Rent expense is recorded on a straight-line basis over the term of the lease, and includes any concession and rent escalations over the life of the lease. The difference between rental payments made under the lease and rent expense calculated on a straight-line basis is recorded as a deferred rent liability.

[11] Accrued vacation:

Based on their tenure, the Institute's employees are entitled to be paid for unused vacation time if they leave the Institute's employ. Accordingly, at each fiscal year-end, the Institute must recognize a liability for the amount that would be incurred if employees with such unused vacation time were to leave. At June 30, 2016 and 2015, this accrued vacation obligation was approximately \$125,775 and \$118,253, respectively.

[12] Income tax uncertainties:

The Institute is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of the Institute's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Institute's financial statements.

[13] Net assets:

The net assets of the Institute and the changes therein are classified and reported as follows:

(i) *Unrestricted:*

Unrestricted net assets are categorized as either board designated or available for operations, and are fully available at the discretion of the Institute's Board of Trustees and management, for the Institute to utilize in any of its programs or supporting services.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted (i) for appropriation by the Board of Trustees (ii) by donors to specific purposes, and/or (iii) the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished or a Board appropriation has been made, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Temporarily restricted contributions received for which restrictions are met in the same fiscal period are recorded as unrestricted in the accompanying statements of activities.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Net assets: (continued)

(iii) Permanently restricted:

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors.

[14] Contributions:

Contributions to the Institute are recognized as revenue upon receipt of cash, securities or unconditional pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted using risk-free interest rates applicable to the years in which payments are expected to be received. Contributions received with no explicit donor restrictions are considered to be available for the general purposes of the Institute. Conditional promises to give are not included as a support until such conditions are substantially met.

Revenue for clinical studies is recognized and recorded when the Institute recognizes the related grant expense associated with the commitment that is made by the medical partners.

The Institute has entered into various clinical research support agreements to conduct clinical trials of cancer immunotherapies. The clinical trials are co-funded by various parties who have committed approximately \$10,750,000 to date.

[15] Contributed services:

The Institute receives contributed services. The fair value of contributed services provided by the Institute's Scientific Advisory Council totaled \$491,238 and \$726,183 for fiscal-years 2016 and 2015, respectively, and has been recorded as revenue and expense in the accompanying statements of activities. Other contributed services provided to the Institute are not reported in the accompanying financial statements because they do not meet the criteria for recognition.

[16] Bequests and trusts:

The Institute is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Institute's interest in bequests and trusts is recorded as revenue when it receives notice such interest has become unconditional.

Bequests and trusts receivable were \$1,376,298 and \$2,457,218 as of June 30, 2016 and June 30, 2015, respectively.

[17] Fellowships, investigatorships and grants:

The Institute awards fellowships, investigatorships and grants covering periods of one to four years for the purpose of medical research. These awards are recorded as expenses at the time they become unconditional, which is usually when they are awarded.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[18] Science, medical and research information and communications:

Science, medical and research information, and communications include costs primarily related to providing the public with information concerning cancer immunology, responding to inquiries from the public concerning cancer, and communicating with applicants and awardees.

[19] Advertising costs:

Advertising costs are accounted for as expenses as they are incurred. These costs amounted to \$285,165 and \$466,911 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively.

[20] Reclassification:

Certain prior year information in the accompanying financial statements has been reclassified to conform to the current-year's presentation.

[21] Subsequent events:

The Institute considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through, September 21, 2016, the date of the financial statements were available to be issued.

[22] New pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, "Not-for-Profit Entities" (Subtopic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources and e) presentation of operating cash flows. The new standard is effective for annual reporting periods issued for fiscal years beginning after December 15, 2017. The Institute elected not to early adopt ASU 2016-14.

NOTE B - CONTRIBUTIONS AND GRANTS RECEIVABLE

At each fiscal year-end, contributions and grants receivable are estimated to be received as follows:

	June 30,	
	2016	2015
Gross amounts due in:		
Less than one year	\$ 25,787,971	\$ 16,665,175
One to five years	<u>23,133,964</u>	<u>13,966,917</u>
	48,921,935	30,632,092
Less discount to present value, with rates ranging from 1% to 5%	<u>(341,874)</u>	<u>(189,215)</u>
	<u>\$ 48,580,061</u>	<u>\$ 30,442,877</u>

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE B - CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)

Approximately \$10,000,000 and \$25,600,000 of the outstanding pledge balance at June 30, 2016, or 20% and 52%, respectively, is due from two donors. Approximately \$5,000,000 and \$17,305,582 of the outstanding pledge balance at June 30, 2015, or 26% and 56%, respectively, is due from two donors. Included in contribution revenue for fiscal-years 2016 and 2015, are \$25,000,000 and \$12,000,000, respectively, from two donors, representing approximately 56% and 40% of the total operating support and revenue for 2016 and 2015, respectively.

Based on its prior experience with donors and grantors, management expects all receivables to be fully collectible. Accordingly, no allowance for doubtful amounts has been provided.

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ 843,575	\$ 842,718	\$ 1,006,502	\$ 1,005,644
Equity securities	2,535	6,179	2,535	6,179
Mutual funds - equities	2,535,680	3,089,020	9,547,546	9,697,423
Mutual funds - fixed-income	1,271,073	1,259,067	657,503	664,261
Mutual funds - ETFs	7,545,342	7,607,822	4,113,770	4,618,417
Limited partnerships and other investments	<u>31,788,310</u>	<u>25,614,727</u>	<u>30,805,139</u>	<u>20,826,914</u>
	<u>\$ 43,986,515</u>	<u>\$ 38,419,533</u>	<u>\$ 46,132,995</u>	<u>\$ 36,818,838</u>

At June 30, 2016, concentrations of the Institute's investments in excess of 10% of the fair value of its portfolio included approximately (i) 17% invested in mutual funds - ETFs, and (ii) 73% invested in limited partnerships and other investments.

During each fiscal year, the net investment return from investments and its classification in the accompanying statements of activities was as follows:

	Year Ended June 30,	
	2016	2015
Interest and dividends	\$ 767,057	\$ 867,994
Net realized and unrealized (losses) gains	(2,597,396)	2,908,553
Investment advisory fees	<u>(216,218)</u>	<u>(334,224)</u>
	<u>(2,046,557)</u>	3,442,323
Less: Net investment allocation for current operations	<u>(2,038,862)</u>	(1,938,992)
Less: Investment loss from operating accounts	<u>40,960</u>	<u>38,920</u>
Net investment (losses) income after income allocation and operating accounts	<u>\$ (4,044,459)</u>	<u>\$ 1,542,251</u>

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE C - INVESTMENTS (CONTINUED)

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments that are redeemable at or near the statement of financial position date and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The Institute uses the NAV per share or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The Institute's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

The availability of relevant market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the fiscal-year 2016 and 2015, there were no transfers among the fair value hierarchy levels.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE C - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of the Institute's investments at each fiscal year-end, in accordance with these fair-value levels:

June 30, 2016				
Amounts Within Fair Value Hierarchy			Measured at NAV	Total
Level 1	Level 3	Total		
Cash equivalents	\$ 843,575		\$ 843,575	\$ 843,575
Equity securities	2,535		2,535	2,535
Mutual funds - equities	2,535,680		2,535,680	2,535,680
Mutual funds - fixed-income	1,271,073		1,271,073	1,271,073
Mutual funds - ETFs	7,545,342		7,545,342	7,545,342
Limited partnerships and other investments		\$ 4,217,950	\$ 4,217,950	4,217,950
Limited partnerships and other investments – value at NAV			<u>\$ 27,570,360</u>	<u>27,570,360</u>
Total	<u>\$ 12,198,205</u>	<u>\$ 4,217,950</u>	<u>\$ 16,416,155</u>	<u>\$ 27,570,360</u>

June 30, 2015				
Amounts Within Fair Value Hierarchy			Measured at NAV	Total
Level 1	Level 3	Total		
Cash equivalents	\$ 1,006,502		\$ 1,006,502	\$ 1,006,502
Equity securities	2,535		2,535	2,535
Mutual funds - equities	9,547,546		9,547,546	9,547,546
Mutual funds - fixed-income	657,503		657,503	657,503
Mutual funds - ETFs	4,113,770		4,113,770	4,113,770
Limited partnerships and other investments		\$ 5,020,166	\$ 5,020,166	5,020,166
Limited partnerships and other investments – value at NAV			<u>\$ 25,784,973</u>	<u>25,784,973</u>
Total	<u>\$ 15,327,856</u>	<u>\$ 5,020,166</u>	<u>\$ 20,348,022</u>	<u>\$ 25,784,973</u>

The following tables summarize the changes in fair values of the Institute's Level 3 investments for each fiscal year end:

Limited Partnerships June 30,		
	2016	2015
Balance - beginning of year	\$ 5,020,166	\$ 3,941,661
Net purchases	29,732	920,073
Net sales	(121,724)	(470,284)
Unrealized (losses) gains	<u>(710,224)</u>	<u>628,716</u>
Balance - end of year	<u>\$ 4,217,950</u>	<u>\$ 5,020,166</u>

CANCER RESEARCH INSTITUTE, INC.

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE C - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category at June 30, 2016:

	June 30, 2016			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds	\$ 10,172,806	\$ 8,004,217	N/A	N/A
Multiple hedge funds	3,008,819		Quarterly	45-60 Days
Sole hedge fund	5,835,073		Monthly	30-60 Days
Fund-of-funds	9,783,921		Quarterly	95 Days
Fund-of-funds	2,987,691		Monthly	95 Days
	<u>\$ 31,788,310</u>	<u>\$ 8,004,217</u>		

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30,	
	<u>2016</u>	<u>2015</u>
Office equipment	\$ 546,596	\$ 555,086
Leasehold improvements	205,372	204,652
	751,968	759,738
Less accumulated depreciation and amortization	(644,885)	(574,043)
	<u>\$ 107,083</u>	<u>\$ 185,695</u>

During fiscal-year 2016, the Institute disposed of fully depreciated assets with a cost basis of \$16,422.

NOTE E - GRANTS AND FELLOWSHIPS PAYABLE

At each fiscal year-end, grants and fellowships payable consisted of the following:

	June 30,	
	<u>2016</u>	<u>2015</u>
Due within one years	\$ 30,940,865	\$ 28,099,943
Due between two and five years	25,881,664	22,786,946
	56,822,529	50,886,889
Less present value discount of 1% to 2%	(301,913)	(313,869)
	<u>\$ 56,520,616</u>	<u>\$ 50,573,020</u>

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE F - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily and permanently restricted net assets were allocated as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Temporarily restricted net assets:		
Clinical and laboratory research	\$ 25,958,495	\$ 15,495,647
Combined federal campaign restricted for future periods	<u>287,736</u>	<u>291,861</u>
	<u>\$ 26,246,231</u>	<u>\$ 15,787,508</u>
Permanently restricted net assets:		
Fellowships	\$ 2,878,391	\$ 2,878,391
Other	<u>601,603</u>	<u>642,563</u>
	<u>\$ 3,479,994</u>	<u>\$ 3,520,954</u>

During each fiscal year, temporarily restricted net assets were released from restrictions in fulfillment of the following:

	<u>Year Ended</u> <u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Clinical and laboratory research	\$ 9,589,855	\$ 12,391,682
Combined federal campaign restricted for future periods	<u>291,861</u>	<u>414,422</u>
	<u>\$ 9,881,716</u>	<u>\$ 12,806,104</u>

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

The Institute's endowment consists of individual funds established for a variety of purposes, consisting of both donor-restricted and board-designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

The Institute adheres to NYPMIFA's requirements relating to its endowment funds.

CANCER RESEARCH INSTITUTE, INC.

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Endowment net-asset composition by type of fund as of each fiscal year-end:

	<u>June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 3,479,994	\$ 3,479,994
Board-designated endowment funds	<u>\$ 3,249,328</u>		<u>3,249,328</u>
Total funds	<u>\$ 3,249,328</u>	<u>\$ 3,479,994</u>	<u>\$ 6,729,322</u>

	<u>June 30, 2015</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 3,520,954	\$ 3,520,954
Board-designated endowment funds	<u>\$ 3,365,167</u>		<u>3,365,167</u>
Total funds	<u>\$ 3,365,167</u>	<u>\$ 3,520,954</u>	<u>\$ 6,886,121</u>

[4] Changes in endowment net assets during each fiscal year:

	<u>Year Ended June 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 3,365,167</u>	<u>\$ 338,483</u>	<u>\$ 3,520,954</u>	<u>\$ 7,224,604</u>
Investment return:				
Investment income	56,925	12,668		69,593
Net appreciation (depreciation) (realized and unrealized)	<u>(192,604)</u>	<u>(113,745)</u>	<u>(40,960)</u>	<u>(347,309)</u>
Total investment return	<u>(135,679)</u>	<u>(101,077)</u>	<u>(40,960)</u>	<u>(277,716)</u>
Contributions	<u>19,840</u>			<u>19,840</u>
Endowment net assets, end of year	<u>\$ 3,249,328</u>	<u>\$ 237,406</u>	<u>\$ 3,479,994</u>	<u>\$ 6,966,728</u>

CANCER RESEARCH INSTITUTE, INC.

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[4] Changes in endowment net assets during each fiscal year: (continued)

	Year Ended June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 3,046,819	\$ 315,647	\$ 3,559,874	\$ 6,922,340
Investment return:				
Investment income	58,488	\$ 84,541		143,029
Net appreciation (realized and unrealized)	<u>225,585</u>	<u>48,295</u>	<u>(38,920)</u>	<u>234,960</u>
Total investment return	284,073	132,836	(38,920)	377,989
Contributions	34,275			34,275
Appropriation of endowment assets for expenditure	<u> </u>	<u>(110,000)</u>	<u> </u>	<u>(110,000)</u>
Endowment net assets, end of year	<u>\$ 3,365,167</u>	<u>\$ 338,483</u>	<u>\$ 3,520,954</u>	<u>\$ 7,224,604</u>

[5] Return objectives and risk parameters:

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other functions supported by its board-designated endowment, while seeking to maintain the purchasing power of the board-designated endowment assets. Under this policy, as approved by the Board of Trustees, the board-designated endowment assets are invested in a manner that is intended to produce results that obtain a better rate of return than the major investment indexes. The two donor-restricted funds (other than the perpetual trust) generate income that is fully utilized each year for their specified programmatic activities.

[6] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Institute relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation within prudent risk constraints.

[7] Spending policy and related objectives:

The Board of Trustees' authorized spending from the Institute's investment pool (for restricted funds and for general operations) is to be limited to 5% of the average market value of the Institute's investment portfolio over the preceding three years. In establishing this policy, the Institute considered the long-term expected return on its investment. Accordingly, over the long term, the Institute expects the current spending policy to allow its portfolio to maintain the purchasing power of the board-designated endowment assets, as well as to provide additional real growth through investment returns.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[8] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar-value of the donor's original permanently restricted contribution. Under the terms of NYPMIFA, the Institute has no responsibility to restore such decreases in value. There were no such deficiencies at June 30, 2015 and 2014.

NOTE H - ALLOCATION OF JOINT COSTS OF INFORMATION MATERIALS

The Institute incurred joint costs in the placement of advertisements aggregating \$42,956 and \$72,737 in fiscal-years 2016 and 2015, respectively. The Institute allocated such costs as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Marketing and development	\$ 21,406	\$ 29,968
Science, medical and research information and communications	<u>21,550</u>	<u>42,769</u>
	<u>\$ 42,956</u>	<u>\$ 72,737</u>

NOTE I - EMPLOYEE-BENEFIT PLAN

The Institute has a defined-contribution retirement plan, which provides for the Institute to make monthly contributions of at least 5% of the compensation of eligible employees. Eligible employees are those who have one year or more of service with the Institute. In addition, the Institute may contribute to the plan a discretionary amount equal to a percentage of compensation which is to be determined each plan-year by the Institute. The plan allows the participants to make voluntary contributions up to limited amounts. During fiscal-years 2016 and 2015, the Institute contributed approximately \$200,988 and \$179,786, respectively, to the plan. Discretionary contributions made by the Institute vest to participants over a period of three years.

NOTE J - CONCENTRATION OF CREDIT RISK

The Institute maintains its cash balance at a few major financial institutions in New York City in amounts which, at times, may be in excess of federally insured limits. Management believes that the Institute faces no significant risk of loss relating to a failure of this financial institution.

NOTE K - FINANCIAL INVESTMENT

In 2010, the Institute entered into a joint venture with the Ludwig Institute for Cancer Research Ltd. and formed a U.S. company named Cancer Vaccine Acceleration Company, LLC ("CVAC"). The members' initial capital contribution was \$200. The purpose of the company is to obtain, hold, and develop intellectual property and other assets related to research and development of a vaccine for cancer in furtherance of the respective charitable missions of the members. The Institute believes that at present, the value of this investment is de minimus.

CANCER RESEARCH INSTITUTE, INC.

**Notes to Financial Statements
June 30, 2016 and 2015**

NOTE L - COMMITMENTS

- [1] The Institute is obligated under a 124-month lease for office space which is due to expire in 2017. The lease was amended in 2008 to include additional space, of which a portion has been sublet. Minimum lease payments net of rental income are as follows:

<u>Year Ending June 30,</u>	<u>Rental Expense</u>	<u>Rental Income</u>	<u>Net Rental Expenses</u>
2017	\$ 540,036	\$ (81,933)	\$ 458,103
2018	<u>94,619</u>	<u>(13,806)</u>	<u>80,813</u>
	<u>\$ 634,655</u>	<u>\$ (95,739)</u>	<u>\$ 538,916</u>

- [2] The Institute has entered into various contracts and agreements in the normal course of its business operations.