



CANCER RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 27, 2017

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

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 15,914,283	\$ 15,824,047
Contributions and grants receivable	41,643,900	48,580,061
Bequests and trusts receivable	1,563,919	1,376,298
Other receivables	255,431	416,330
Investments	50,053,136	43,986,515
Property and equipment, net	25,640	107,083
Prepaid expenses and other assets	610,366	477,990
	<u>\$ 110,066,675</u>	<u>\$ 110,768,324</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 430,535	\$ 472,983
Annuities payable	87,206	103,227
Grants and fellowships payable	54,803,073	56,520,616
Refundable deposit	49,941	18,400
	<u>55,370,755</u>	<u>57,115,226</u>
Commitments (see Note M)		
NET ASSETS		
Unrestricted:		
Undesignated, available for operations	24,225,755	20,677,545
Board-designated as endowment	3,738,576	3,249,328
Total unrestricted	27,964,331	23,926,873
Temporarily restricted	23,220,401	26,246,231
Permanently restricted	3,511,188	3,479,994
	<u>54,695,920</u>	<u>53,653,098</u>
	<u>\$ 110,066,675</u>	<u>\$ 110,768,324</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statements of Activities

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenues:								
Public support:								
General, trustee, and related	\$ 6,315,910	\$ 53,000		\$ 6,368,910	\$ 4,964,054			\$ 4,964,054
Combined federal campaigns	435,254	320,929		756,183	395,219	\$ 287,736		682,955
Bequests/memorials	2,475,218			2,475,218	1,958,353			1,958,353
Special events (net of direct benefit to donors of \$350,518 in 2017 and \$420,662 in 2016)	2,440,223	2,383		2,442,606	2,657,320	7,077		2,664,397
Designated contributions (including in-kind contributions of services of \$959,546 in 2017 and \$491,238 in 2016)	10,169,243	757,000		10,926,243	11,650,822	20,146,703		31,797,525
Total public support	<u>21,835,848</u>	<u>1,133,312</u>		<u>22,969,160</u>	<u>21,625,768</u>	<u>20,441,516</u>		<u>42,067,284</u>
Operating revenues:								
Rental loss (net of related expenses of \$142,387 in 2017 and \$126,994 in 2016)	(60,100)			(60,100)	(44,707)			(44,707)
Investment income allocation	2,154,376			2,154,376	2,038,862			2,038,862
Miscellaneous	91,215			91,215	198,695			198,695
Total operating revenues	<u>2,185,491</u>			<u>2,185,491</u>	<u>2,192,850</u>			<u>2,192,850</u>
Net assets released from restrictions for operations	4,197,617	(4,197,617)		0	9,881,716	(9,881,716)		0
Total operating support and revenues	<u>28,218,956</u>	<u>(3,064,305)</u>		<u>25,154,651</u>	<u>33,700,334</u>	<u>10,559,800</u>		<u>44,260,134</u>
Operating expenses:								
Program services:								
Science, medical and research information, and communications	4,756,607			4,756,607	4,760,683			4,760,683
Research	16,442,792			16,442,792	22,648,192			22,648,192
Total program services	<u>21,199,399</u>			<u>21,199,399</u>	<u>27,408,875</u>			<u>27,408,875</u>
Supporting services:								
Administration	1,287,157			1,287,157	1,213,948			1,213,948
Marketing and development	2,811,152			2,811,152	2,848,646			2,848,646
Allowance for uncollectible accounts	2,615,201			2,615,201				
Total supporting services	<u>6,713,510</u>			<u>6,713,510</u>	<u>4,062,594</u>			<u>4,062,594</u>
Total expenses	<u>27,912,909</u>			<u>27,912,909</u>	<u>31,471,469</u>			<u>31,471,469</u>
Change from operating activities	306,047	(3,064,305)		(2,758,258)	2,228,865	10,559,800		12,788,665
Non-operating activities:								
Net investment (loss) income in excess of investment allocation	3,731,411	38,475		3,769,886	(3,943,382)	(101,077)		(4,044,459)
Change in value of perpetual trust			\$ 31,194	31,194			\$ (40,960)	(40,960)
Change in net assets	<u>4,037,458</u>	<u>(3,025,830)</u>	<u>31,194</u>	<u>1,042,822</u>	<u>(1,714,517)</u>	<u>10,458,723</u>	<u>(40,960)</u>	<u>8,703,246</u>
Net assets - beginning of year	23,926,873	26,246,231	3,479,994	53,653,098	25,641,390	15,787,508	3,520,954	44,949,852
Net assets - end of year	<u>\$ 27,964,331</u>	<u>\$ 23,220,401</u>	<u>\$ 3,511,188</u>	<u>\$ 54,695,920</u>	<u>\$ 23,926,873</u>	<u>\$ 26,246,231</u>	<u>\$ 3,479,994</u>	<u>\$ 53,653,098</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statement of Functional Expenses

Year Ended June 30, 2017

(with summarized financial information for 2016)

	Program Services			Support Services			Totals	
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	2017	2016
Fellowship program		\$ 5,627,779	\$ 5,627,779				\$ 5,627,779	\$ 4,326,339
Designated grants program		1,636,109	1,636,109				1,636,109	440,000
Clinical accelerator program		5,586,923	5,586,923				5,586,923	15,606,853
Technology Prize Award		1,000,000	1,000,000				1,000,000	
CLIP grants program		2,591,981	2,591,981				2,591,981	2,275,000
Salaries, benefits and related taxes	\$ 1,247,234		1,247,234	\$ 766,142	\$ 1,215,470	\$ 1,981,612	3,228,846	3,046,496
Professional fees and commissions	1,408,008		1,408,008	238,527	518,854	757,381	2,165,389	2,361,451
Printing, postage and supplies	138,642		138,642	55,260	191,351	246,611	385,253	366,438
Rent	168,006		168,006	94,611	164,905	259,516	427,522	434,710
Telephone	3,480		3,480	3,480	3,480	6,960	10,440	9,953
Advertising	76,451		76,451	2,328	64,043	66,371	142,822	285,165
Depreciation and amortization	35,382		35,382	20,712	30,204	50,916	86,298	87,264
Travel and related costs	1,476,365		1,476,365	7,541	20,705	28,246	1,504,611	1,133,740
Indirect expenses - Ride to Cancer					464,784	464,784	464,784	396,068
Insurance expense				30,999		30,999	30,999	35,348
Miscellaneous	203,039		203,039	67,557	137,356	204,913	407,952	666,644
	4,756,607	16,442,792	21,199,399	1,287,157	2,811,152	4,098,309	25,297,708	31,471,469
Allowance for uncollectible accounts				2,615,201		2,615,201	2,615,201	
	<u>\$ 4,756,607</u>	<u>\$ 16,442,792</u>	<u>\$ 21,199,399</u>	<u>\$ 3,902,358</u>	<u>\$ 2,811,152</u>	<u>\$ 6,713,510</u>	<u>\$ 27,912,909</u>	<u>\$ 31,471,469</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2016**

	Program Services			Support Services			Total
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	
Fellowship program		\$ 4,326,339	\$ 4,326,339				\$ 4,326,339
Designated grants program		440,000	440,000				440,000
Clinical accelerator program		15,606,853	15,606,853				15,606,853
CLIP grants program		2,275,000	2,275,000				2,275,000
Salaries, benefits and related taxes	\$ 1,183,925		1,183,925	\$ 732,001	\$ 1,130,570	\$ 1,862,571	3,046,496
Professional fees and commissions	1,631,945		1,631,945	232,586	496,920	729,506	2,361,451
Printing, postage and supplies	124,615		124,615	45,949	195,874	241,823	366,438
Rent	170,928		170,928	97,890	165,892	263,782	434,710
Telephone	3,318		3,318	3,317	3,318	6,635	9,953
Advertising	190,760		190,760	959	93,446	94,405	285,165
Depreciation and amortization	34,033		34,033	20,943	32,288	53,231	87,264
Travel and related costs	1,090,477		1,090,477	8,456	34,807	43,263	1,133,740
Indirect expenses - Ride to Cancer					396,068	396,068	396,068
Insurance expense				35,348		35,348	35,348
Miscellaneous	330,682		330,682	36,499	299,463	335,962	666,644
	<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>

See notes to financial statements.

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

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,042,822	\$ 8,703,246
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated securities	(161,736)	(270,736)
Proceeds from sale of donated securities	161,736	270,736
Depreciation and amortization	86,298	87,264
Allowance for uncollectible accounts	2,615,201	73,903
Net realized and unrealized (gains) losses on investments	(5,974,286)	2,556,436
Change in value of beneficial interest in perpetual trust	(31,194)	40,960
Changes in:		
Contributions and grants receivable	4,258,989	(17,130,167)
Other receivables	35,249	(121,288)
Prepaid expenses and other assets	(132,376)	(96,701)
Accounts payable and accrued expenses	(58,469)	(231,809)
Grants and fellowships payable	(1,717,543)	5,947,596
Refundable deposits	31,541	
Net cash provided by (used in) operating activities	<u>156,232</u>	<u>(170,560)</u>
Cash flows from investing activities:		
Purchases of office equipment	(4,855)	(8,652)
Purchases of long-term investments	(20,940,264)	(17,735,384)
Proceeds from sales of long-term investments	<u>20,879,123</u>	<u>17,284,468</u>
Net cash used in investing activities	<u>(65,996)</u>	<u>(459,568)</u>
Net change in cash and cash equivalents	90,236	(630,128)
Cash and cash equivalents - beginning of year	<u>15,824,047</u>	<u>16,454,175</u>
Cash and cash equivalents - end of year	<u>\$ 15,914,283</u>	<u>\$ 15,824,047</u>

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

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 functional expenses, except for certain expenses that have been netted against revenue in the accompanying statements of activities. Expenses are reported on a functional basis in Note H. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable methods 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.

[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 the cash and cash equivalents held as part of the investment portfolio.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

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

[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 managers or advisors and as reviewed by the Institute for reasonableness. Donated securities are recorded at their fair values, as determined by the proceeds received on the dates of sale, and are typically sold upon receipt, in accordance with the Institute's policy. In addition, for purposes of the accompanying statements of cash flows, donated securities received and sold within the same year are reported as 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 partners. Each general partner (i) performs oversight of the underlying manager's material positions, both on an investment level and from a risk perspective, and (ii) 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 partners.

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 to 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.

Moreover, 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 strategies, 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. As with the Institute's other investments, the various managers monitor their positions continuously, to reduce the risk of potential losses 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 are a reasonable estimate of their 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.

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.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

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

[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 agreement. The difference between rental payments made under the terms of the lease agreement and rent expense calculated on a straight-line basis is recorded as a deferred rent liability and included in accounts payable and accrued expenses in the accompanying statements of financial position.

[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, 2017 and 2016, this accrued vacation obligation was approximately \$158,000 and \$126,000, respectively.

[12] Income tax uncertainties:

The Institute follows 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 (i) designated by the Board of Trustees to function as endowment, or (ii) available for operations. Both categories are fully available, at the discretion of the Institute's Board 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 for expenditure by the Board of Trustees, (ii) by donors for specific purposes, and/or (iii) the passage of time. When a donor's 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 in a fiscal period during which the underlying restrictions are also met are recorded as unrestricted in the accompanying statements of activities.

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources the principal of which is 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, if any.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

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

[14] Contributions:

Contributions to the Institute are recognized as revenue upon receipt of cash, or other assets (such as securities) or of 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 underlying 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 support in the amount of approximately \$29,386,363 to date.

[15] Contributed services:

For recognition of contributed services in the financial statements, such services must (i) create or enhance non-financial assets and (ii) typically need to be acquired not provided by donation. Additionally, recognition of contributed services must (i) required specialized skills and (ii) be provided by individuals possessing these skills. Contributed services are recorded as support at their estimated fair value at the dates of donation and are reported as unrestricted support in the accompanying statements of activities. The fair values of contributed services provided by the Institute's Scientific Advisory Council totaled \$959,546 and \$491,238 for fiscal-years 2017 and 2016, respectively, and these amounts have been recorded as revenue and expense in the accompanying statements of activities. Other contributed services provided to the Institute such as those provided by volunteers, 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 the Institute receives notice that any such interest has become unconditional.

Bequests and trusts receivable were \$1,563,920 and \$1,376,298 as of June 30, 2017 and June 30, 2016, 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.

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

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

[19] Advertising costs:

Advertising costs are accounted for as expenses as they are incurred. These costs amounted to \$142,822 and \$285,165 during fiscal-year 2017 and 2016, respectively.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

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

[20] Reclassification:

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

[21] New pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current financial-statement presentations and disclosures with the goal of assisting not-for-profit organizations in providing 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: (i) net asset classes, (ii) investment return, (iii) expenses, (iv) liquidity and availability of resources and (v) presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Institute will adopt ASU 2016-14 when it becomes effective.

[22] Subsequent events:

The Institute has considered 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 have occurred after the fiscal year-end through, September 27, 2017, the date on which the financial statements were available to be issued.

NOTE B - CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	June 30,	
	2017	2016
Gross amounts due in:		
Less than one year	\$ 16,754,566	\$ 25,787,971
One to five years	<u>25,892,243</u>	<u>23,133,964</u>
	42,646,809	48,921,935
Reduction for contributions due in excess of one year, at a 1% discount rate	<u>(502,909)</u>	<u>(341,874)</u>
	42,143,900	48,580,061
Allowance for uncollectible accounts	<u>(500,000)</u>	<u> </u>
	<u>\$ 41,643,900</u>	<u>\$ 48,580,061</u>

An amount of approximately \$32,062,000 (75%) of the outstanding pledge receivable balance at June 30, 2017 was due from two donors. Likewise, approximately \$40,600,000 (83%) of the outstanding pledge receivable balance at June 30, 2016, was due from two donors. Included in contribution revenue for fiscal-year 2016, was an amount of \$25,000,000 from two donors, which represented approximately 56% of the total operating support and revenue for that fiscal year.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE C - INVESTMENTS

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

	June 30,			
	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ 566,309	\$ 564,479	\$ 843,575	\$ 842,718
Equity securities	2,018,725	1,988,906	2,535	6,179
Mutual funds - equity securities	2,122,651	1,993,001	2,535,680	3,089,020
Mutual funds - fixed-income	2,106,515	2,116,002	1,271,073	1,259,067
Mutual funds - ETFs	6,576,465	5,781,578	7,545,342	7,607,822
Limited partnerships and other investments	<u>36,662,471</u>	<u>28,400,803</u>	<u>31,788,310</u>	<u>25,614,727</u>
	<u>\$ 50,053,136</u>	<u>\$ 40,844,769</u>	<u>\$ 43,986,515</u>	<u>\$ 38,419,533</u>

At June 30, 2017, concentrations of the Institute's investments in excess of 10% of the fair value of its portfolio included approximately (i) 13% 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,	
	2017	2016
Interest and dividends	\$ 284,686	\$ 767,057
Net realized and unrealized (losses) gains	6,005,480	(2,597,396)
Investment advisory fees	<u>(334,710)</u>	<u>(216,218)</u>
	5,955,456	(2,046,557)
Less: Net investment allocation for current operations	(2,154,376)	(2,038,862)
Less: Change in value of perpetual trust	<u>(31,194)</u>	<u>40,960</u>
Net investment (losses) income in excess of investment allocation	<u>\$ 3,769,886</u>	<u>\$ (4,044,459)</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value determinations for investments. 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 for similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for those investments, or for 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 fiscal year-end and for which a model was derived for valuation.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE C - INVESTMENTS (CONTINUED)

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 unit) as a practical expedient of fair value. This applies to investments which (i) do not have a readily determinable fair value and (ii) the financial statements of which were prepared by the respective investment managers in a manner consistent with the measurement principles of either an investment company or of an entity which has the attributes of an investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair-value hierarchy. Accordingly, these NAV investments and certain related disclosures are no longer required to be included in the accompanying financial statements.

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. During fiscal-years 2017 and 2016, there were no transfers among the fair-value hierarchy levels.

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, 2017				
	Amounts Within Fair Value Hierarchy			Measured at NAV	Total
	Level 1	Level 3	Total		
Cash equivalents	\$ 566,309		\$ 566,309		\$ 566,309
Equity securities	2,018,725		2,018,725		2,018,725
Mutual funds - equity securities	2,122,651		2,122,651		2,122,651
Mutual funds - fixed-income	2,106,515		2,106,515		2,106,515
Mutual funds - ETFs	6,576,465		6,576,465		6,576,465
Limited partnerships and other investments		\$ 1,380,778	1,380,778		1,380,778
Limited partnerships and other investments - value at NAV				\$ 35,281,693	35,281,693
Total	\$ 13,390,665	\$ 1,380,778	\$ 14,771,443	\$ 35,281,693	\$ 50,053,156
	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 - equity securities	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				\$ 27,570,360	27,570,360
Total	\$ 12,198,205	\$ 4,217,950	\$ 16,416,155	\$ 27,570,360	\$ 43,986,515

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE C - INVESTMENTS (CONTINUED)

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

	Limited Partnerships	
	June 30,	
	2017	2016
Balance - beginning of year	\$ 4,217,950	\$ 5,020,166
Net purchases	148,690	29,732
Net sales	(2,896,189)	(121,724)
Net realized and unrealized losses	(89,673)	(710,224)
Balance - end of year	<u>\$ 1,380,778</u>	<u>\$ 4,217,950</u>

The following table lists investments in other investment companies by major category at June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	\$ 8,453,123	\$ 7,407,976	N/A	N/A
Multiple hedge funds	5,790,810		Quarterly	30-60 Days
Multiple hedge fund	7,600,804		Monthly	30-90 Days
Fund-of-funds	10,978,121		Quarterly	95 Days
Fund-of-funds	3,839,613		Monthly	95 Days
	<u>\$ 36,662,471</u>	<u>\$ 7,407,976</u>		

NOTE D - PROPERTY AND EQUIPMENT

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

	June 30,	
	2017	2016
Office equipment	\$ 540,363	\$ 546,596
Leasehold improvements	205,372	205,372
	745,735	751,968
Less accumulated depreciation and amortization	(720,095)	(644,885)
	<u>\$ 25,640</u>	<u>\$ 107,083</u>

During fiscal-years 2017 and 2016, the Institute disposed of fully depreciated assets with a cost basis of \$11,088 and \$16,422, respectively.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE E - GRANTS AND FELLOWSHIPS PAYABLE

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

	June 30,	
	2017	2016
Due within one years	\$ 32,597,513	\$ 30,940,865
Due between two and five years	<u>22,525,116</u>	<u>25,881,664</u>
	55,122,629	56,822,529
Less present value discount of 1% to 2%	<u>(319,556)</u>	<u>(301,913)</u>
	<u>\$ 54,803,073</u>	<u>\$ 56,520,616</u>

NOTE F - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	June 30,	
	2017	2016
Temporarily restricted net assets:		
Clinical and laboratory research	\$ 22,899,472	\$ 25,958,495
Combined federal campaign restricted for future periods	<u>320,929</u>	<u>287,736</u>
	<u>\$ 23,220,401</u>	<u>\$ 26,246,231</u>
Permanently restricted net assets:		
Fellowships	\$ 2,878,391	\$ 2,878,391
Other	<u>632,797</u>	<u>601,603</u>
	<u>\$ 3,511,188</u>	<u>\$ 3,479,994</u>

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

	Year Ended June 30,	
	2017	2016
Clinical and laboratory research	\$ 3,909,881	\$ 9,589,855
Combined federal campaign restricted for future periods	<u>287,736</u>	<u>291,861</u>
	<u>\$ 4,197,617</u>	<u>\$ 9,881,716</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.

CANCER RESEARCH INSTITUTE, INC.

**Notes to Financial Statements
June 30, 2017 and 2016**

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[2] Interpretation of relevant law:

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

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

	June 30, 2017		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 3,511,188	\$ 3,511,188
Board-designated endowment funds	<u>\$ 3,738,576</u>		<u>3,738,576</u>
Total funds	<u>\$ 3,738,576</u>	<u>\$ 3,511,188</u>	<u>\$ 7,249,764</u>
	June 30, 2016		
	Unrestricted	Permanently Restricted	Total
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>

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

	Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 3,249,328</u>	<u>\$ 237,406</u>	<u>\$ 3,479,994</u>	<u>\$ 6,966,728</u>
Investment return:				
Investment income	20,852	10,017		30,869
Net appreciation (depreciation) (realized and unrealized)	<u>445,096</u>	<u>383,272</u>	<u>31,194</u>	<u>859,562</u>
Total investment return	465,948	393,289	31,194	890,431
Contributions	23,300			23,300
Appropriation of endowment assets for Expenditure endowment funds		<u>(393,289)</u>		<u>(393,289)</u>
Endowment net assets, end of year	<u>\$ 3,738,576</u>	<u>\$ 237,406</u>	<u>\$ 3,511,188</u>	<u>\$ 7,487,170</u>

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

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

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

[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.

[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, 2017 and 2016.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE H - PROGRAM AND SUPPORTING SERVICES EXPENSES

During each fiscal year, total expenses were allocated among program and supporting services as follows:

	Year Ended June 30,	
	2017	2016
Program services	\$ 21,199,399	\$ 27,408,875
Management and general	4,379,455	1,557,160
Marketing and development	<u>3,161,670</u>	<u>3,269,308</u>
	<u>\$ 28,740,524</u>	<u>\$ 32,235,343</u>

The above expenses are inclusive of expenses that have been reported net of revenue in the accompanying statements of activities. The investment expenses, as disclosed in Note C, and rental expenses, are reported as management and general expenses. In addition, special events expenses are reported in the above table as marketing and development.

NOTE I - ALLOCATION OF JOINT COSTS OF INFORMATION MATERIALS

The Institute incurred joint costs in the placement of advertisements amounted to \$37,396 and \$42,956 in fiscal-years 2017 and 2016, respectively. The Institute allocated such costs as follows:

	June 30,	
	2017	2016
Marketing and development	\$ 19,531	\$ 21,406
Science, medical and research information and communications	<u>17,865</u>	<u>21,550</u>
	<u>\$ 37,396</u>	<u>\$ 42,956</u>

NOTE J - 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 also allows the participants to make voluntary contributions up to limited amounts. During fiscal-years 2017 and 2016, the Institute contributed amounts of approximately \$203,813 and \$200,988, respectively, to the plan. Discretionary contributions made by the Institute vest to participants over a period of three years.

NOTE K - 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 these financial institutions.

CANCER RESEARCH INSTITUTE, INC.

Notes to Financial Statements June 30, 2017 and 2016

NOTE L - 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 not material.

NOTE M - COMMITMENTS

[1] The Institute is obligated under a lease agreement for office space which expires in August 2017. The lease was amended in 2008 to include additional space, of which a portion has been sublet. In January 2017, the Institute has also entered into a 124-month lease agreement for new office space expiring in January 2028. The lease is subject to escalation for the Institute's pro-rata share of increases in real estate taxes and operating expenses. Concurrent with the authorization of the lease agreement, the Institute entered into a sublease agreement for a portion of its new office space also expiring in January 2028. In September 2017, the Institute entered into lease agreements for office equipment, which expire in September 2022. Minimum future 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>
2018	\$ 319,923	\$ (66,375)	\$ 253,548
2019	545,756	(126,165)	419,591
2020	545,756	(126,165)	419,591
2021	545,756	(126,165)	419,591
2022	545,756	(126,165)	419,591
Thereafter	<u>3,106,263</u>	<u>(738,928)</u>	<u>2,367,335</u>
Total	<u>\$ 5,609,210</u>	<u>\$(1,309,963)</u>	<u>\$ 4,299,247</u>

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