



# CANCER RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 and 2014

## **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, 2015 and 2014, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015 and 2014, 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 29, 2015

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

	June 30,	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,454,175	\$ 13,167,314
Pledges receivable	30,442,877	28,233,033
Bequests and trusts receivable	2,457,218	2,583,459
Other receivables	295,042	156,336
Prepaid expenses	381,289	221,035
Investments	46,132,995	42,606,668
Office equipment and leasehold improvements, net	<u>185,695</u>	<u>244,666</u>
	<u>\$ 96,349,291</u>	<u>\$ 87,212,511</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 514,813	\$ 290,295
Annuities payable	145,251	150,188
Grants and fellowships payable	50,573,020	33,725,882
Deferred rent	147,955	208,576
Refundable deposit	<u>18,400</u>	<u>18,400</u>
	<u>51,399,439</u>	<u>34,393,341</u>
Commitments (Note L)		
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated, available for operations	22,276,223	18,983,470
Board-designated as endowment	<u>3,365,167</u>	<u>3,046,819</u>
Total unrestricted	25,641,390	22,030,289
Temporarily restricted	15,787,508	27,229,007
Permanently restricted	<u>3,520,954</u>	<u>3,559,874</u>
	<u>44,949,852</u>	<u>52,819,170</u>
	<u>\$ 96,349,291</u>	<u>\$ 87,212,511</u>

# CANCER RESEARCH INSTITUTE, INC.

## Statements of Activities

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating support and revenues:</b>								
Public support:								
General, trustee, and related	\$ 3,785,726			\$ 3,785,726	\$ 2,898,276			\$ 2,898,276
Combined federal campaigns	136,058	\$ 291,761		427,819	168,477	\$ 383,757		552,234
Bequests/memorials	3,915,373			3,915,373	2,165,814			2,165,814
Lloyd J. Old Endowed Fellowship Fund							\$ 750	750
Special events (net of direct benefit to donors of \$362,413 in 2015 and \$ 330,089 in 2014)	4,183,138	114,919		4,298,057	3,013,083	47,149		3,060,232
Designated contributions (including in-kind contributions of services of \$726,183 in 2015 and \$581,602 in 2014)	<u>14,476,927</u>	<u>825,089</u>		<u>15,302,016</u>	<u>16,221,968</u>	<u>15,322,408</u>		<u>31,544,376</u>
Total public support	<u>26,497,222</u>	<u>1,231,769</u>		<u>27,728,991</u>	<u>24,467,618</u>	<u>15,753,314</u>	<u>750</u>	<u>40,221,682</u>
Operating revenues:								
Rental loss (net of related expenses of \$127,002 in 2015 and \$127,009 in 2014)	(44,715)			(44,715)	(44,723)			(44,723)
Investment income allocation	1,938,992			1,938,992	1,772,441			1,772,441
Miscellaneous	<u>128,454</u>			<u>128,454</u>	<u>40,093</u>			<u>40,093</u>
Total operating revenues	<u>2,022,731</u>			<u>2,022,731</u>	<u>1,767,811</u>			<u>1,767,811</u>
Net assets released from restrictions for operations	<u>12,806,104</u>	<u>(12,806,104)</u>		<u>0</u>	<u>1,241,058</u>	<u>(1,241,058)</u>		<u>0</u>
Total operating support and revenues	<u>41,326,057</u>	<u>(11,574,335)</u>		<u>29,751,722</u>	<u>27,476,487</u>	<u>14,512,256</u>	<u>750</u>	<u>41,989,493</u>
<b>Operating expenses:</b>								
Program services:								
Science, medical and research information, and communications	5,420,647			5,420,647	4,004,786			4,004,786
Research	<u>28,769,375</u>			<u>28,769,375</u>	<u>17,990,148</u>	<u>(4,500,000)</u>		<u>13,490,148</u>
Total program services	<u>34,190,022</u>			<u>34,190,022</u>	<u>21,994,934</u>	<u>(4,500,000)</u>		<u>17,494,934</u>
Supporting services:								
Administration	1,091,015			1,091,015	1,020,035			1,020,035
Marketing and development	<u>3,843,334</u>			<u>3,843,334</u>	<u>1,972,540</u>			<u>1,972,540</u>
Total supporting services	<u>4,934,349</u>			<u>4,934,349</u>	<u>2,992,575</u>			<u>2,992,575</u>
Total expenses	<u>39,124,371</u>			<u>39,124,371</u>	<u>24,987,509</u>	<u>(4,500,000)</u>		<u>20,487,509</u>
Change from operating activities	2,201,686	(11,574,335)		(9,372,649)	2,488,978	19,012,256	750	21,501,984
<b>Non-operating activities:</b>								
Net investment income in excess of investment allocation	1,409,415	132,836		1,542,251	3,135,067	315,647		3,450,714
Change in value of perpetual trust			\$ (38,920)	(38,920)			63,733	63,733
<b>Change in net assets</b>	<u>3,611,101</u>	<u>(11,441,499)</u>	<u>(38,920)</u>	<u>(7,869,318)</u>	<u>5,624,045</u>	<u>19,327,903</u>	<u>64,483</u>	<u>25,016,431</u>
Net assets - beginning of year	<u>22,030,289</u>	<u>27,229,007</u>	<u>3,559,874</u>	<u>52,819,170</u>	<u>16,406,244</u>	<u>7,901,104</u>	<u>3,495,391</u>	<u>27,802,739</u>
<b>Net assets - end of year</b>	<u>\$ 25,641,390</u>	<u>\$ 15,787,508</u>	<u>\$ 3,520,954</u>	<u>\$ 44,949,852</u>	<u>\$ 22,030,289</u>	<u>\$ 27,229,007</u>	<u>\$ 3,559,874</u>	<u>\$ 52,819,170</u>

See notes to financial statements

**CANCER RESEARCH INSTITUTE, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2015**

(with summarized financial information for 2014)

	Program Services			Support Services			Totals	
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing And Development	Total	2015	2014
Fellowship program		\$ 3,506,461	\$ 3,506,461				\$ 3,506,461	\$ 3,656,354
Pre-doctoral program								(58,774)
Designated Grants program		619,500	619,500				619,500	491,650
Clinical Accelerator program		22,048,892	22,048,892				22,048,892	7,005,734
CLIP Grants program		2,594,522	2,594,522				2,594,522	2,395,184
Patient support								50,000
Salaries, benefits and related taxes	\$ 1,194,518		1,194,518	\$ 702,412	\$ 934,507	\$ 1,636,919	2,831,437	2,489,544
Professional fees and commissions	2,756,985		2,756,985	153,094	223,463	376,557	3,133,542	2,172,257
Printing, postage and supplies	135,754		135,754	49,938	221,160	271,098	406,852	481,535
Rent	182,492		182,492	90,211	153,009	243,220	425,712	410,574
Telephone	2,721		2,721	2,660	2,601	5,261	7,982	8,276
Advertising	111,273		111,273	675	161,054	161,729	273,002	424,145
Depreciation and amortization	34,683		34,683	21,149	28,761	49,910	84,593	80,667
Travel and related costs	723,610		723,610	8,192	98,613	106,805	830,415	575,370
Indirect expenses - Ride to Cancer					1,748,273	1,748,273	1,748,273	
Insurance expense				21,424		21,424	21,424	27,034
Miscellaneous	278,611		278,611	41,260	271,893	313,153	591,764	277,959
	<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>	<u>\$ 20,487,509</u>

See notes to financial statements

**CANCER RESEARCH INSTITUTE, INC.**

**Statement of Functional Expenses  
Year Ended June 30, 2014**

	Program Services			Support Services			2014
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	
Fellowship program		\$ 3,656,354	\$ 3,656,354				\$ 3,656,354
Pre-doctoral program		(58,774)	(58,774)				(58,774)
Designated Grants program		491,650	491,650				491,650
Clinical Accelerator program		7,005,734	7,005,734				7,005,734
CLIP Grants program		2,395,184	2,395,184				2,395,184
Patient support	\$ 50,000		50,000				50,000
Salaries, benefits and related Taxes	1,083,189		1,083,189	\$ 641,371	\$ 764,984	\$ 1,406,355	2,489,544
Professional fees and commissions	1,773,673		1,773,673	147,777	250,807	398,584	2,172,257
Printing, postage and supplies	174,841		174,841	51,790	254,904	306,694	481,535
Rent	216,051		216,051	84,869	109,654	194,523	410,574
Telephone	2,759		2,759	2,758	2,759	5,517	8,276
Advertising	113,140		113,140		311,005	311,005	424,145
Depreciation and amortization	31,460		31,460	20,973	28,234	49,207	80,667
Travel and related costs	441,966		441,966	6,040	127,364	133,404	575,370
Insurance expense				27,034		27,034	27,034
Miscellaneous	117,707		117,707	37,423	122,829	160,252	277,959
	<u>\$ 4,004,786</u>	<u>\$ 13,490,148</u>	<u>\$ 17,494,934</u>	<u>\$ 1,020,035</u>	<u>\$ 1,972,540</u>	<u>\$ 2,992,575</u>	<u>\$ 20,487,509</u>

See notes to financial statements

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

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	<b>\$ (7,869,318)</b>	\$ 25,016,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	<b>(528,368)</b>	(109,800)
Proceeds from sale of donated securities	<b>528,368</b>	109,800
Depreciation and amortization	<b>84,593</b>	80,667
Contribution restricted for long-term activities		(750)
Bad debt expense	<b>5,920</b>	20,001
Net realized and unrealized gains on investments	<b>(2,986,393)</b>	(5,052,775)
Change in value of beneficial interest in perpetual trust	<b>38,920</b>	(63,733)
Changes in:		
Pledges receivable	<b>(2,089,523)</b>	(19,456,460)
Other receivables	<b>(138,706)</b>	(93,810)
Prepaid expenses	<b>(160,254)</b>	2,441
Accounts payable and accrued expenses	<b>219,581</b>	(46,510)
Refundable deposit		
Grants and fellowships payable	<b>16,847,138</b>	3,515,801
Deferred rent	<b>(60,621)</b>	(46,931)
Net cash provided by operating activities	<b><u>3,891,337</u></b>	<u>3,874,372</u>
<b>Cash flows from investing activities:</b>		
Purchases of office equipment	<b>(25,622)</b>	(13,041)
Purchases of long-term investments	<b>(6,728,521)</b>	(11,601,451)
Proceeds from sales of long-term investments	<b><u>6,149,667</u></b>	<u>11,578,212</u>
Net cash used in investing activities	<b><u>(604,476)</u></b>	<u>(36,280)</u>
<b>Cash flows from financing activities:</b>		
Endowment contributions		<u>750</u>
<b>Net increase in cash and cash equivalents</b>	<b>3,286,861</b>	3,838,842
Cash and cash equivalents - beginning of year	<b><u>13,167,314</u></b>	<u>9,328,472</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 16,454,175</u></b>	<u>\$ 13,167,314</u>

# CANCER RESEARCH INSTITUTE, INC.

## Notes to Financial Statements June 30, 2015 and 2014

### 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, 2015 and 2014**

#### **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 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 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. Because of the inherent uncertainty of the valuation of these investments, the Institute 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. Estimated 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, 2015 and 2014

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

##### [9] Fair-value measurement:

The Institute reports a fair-value measurement of all applicable financial assets and liabilities including investments, receivables, and short-term payables, which approximate fair-value.

##### [10] 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.

##### [11] 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.

##### [12] 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, 2015 and 2014, this accrued vacation obligation was approximately \$118,253 and \$122,700, respectively.

##### [13] 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.

##### [14] 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, 2015 and 2014

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

#### [14] 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.

#### [15] 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 \$12,000,000 to date.

#### [16] Contributed services:

The Institute receives contributed services. The fair value of contributed services provided by the Institute's Scientific Advisory Council totaled \$726,183 and \$581,602 for fiscal-years 2015 and 2014, 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.

#### [17] 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 \$2,457,218 and \$2,583,459 as of June 30, 2015 and June 30, 2014, respectively.

#### [18] 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, 2015 and 2014

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

##### [19] 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.

##### [20] Advertising costs:

Advertising costs are accounted for as expenses as they are incurred. These costs amounted to \$466,911 and \$393,101 for the fiscal years ended June 30, 2015 and June 30, 2014, respectively.

##### [21] Reclassification:

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

##### [22] 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 29, 2015, the date of 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:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Gross amounts due in:		
Less than one year	<b>\$ 16,665,175</b>	\$ 16,357,239
One to five years	<u>13,966,917</u>	<u>12,016,853</u>
	<b>30,632,092</b>	28,374,092
Less discount to present value, with rates ranging from 1% to 5%	<u>(189,215)</u>	<u>(141,059)</u>
	<b><u>\$ 30,442,877</u></b>	<b><u>\$ 28,233,033</u></b>

Approximately \$5,000,000 and \$17,305,582 of the outstanding pledge balance at June 30, 2015, or 56% and 26%, respectively, is due from two donors. Approximately \$10,000,000 and \$9,228,000 of the outstanding pledge balance at June 30, 2014, or 35% and 32%, respectively, is due from two donors.

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.

## CANCER RESEARCH INSTITUTE, INC.

### Notes to Financial Statements June 30, 2015 and 2014

#### NOTE C - INVESTMENTS

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)." ASU 2015-07 removes the requirement to categorize within the fair-value hierarchy all investments for which fair value is measured using net asset value ("NAV") per share as a practical expedient. The Institute elected to adopt ASU 2015-07 for the fiscal-year 2015.

Accordingly, investments for which fair value is measured using NAV per share as a practical expedient have not been categorized within the fair-value hierarchy, and certain related tables have been properly excluded from the financial statements. The amendment has been applied retrospectively to all periods presented.

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

	June 30,			
	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ 1,006,502	\$ 1,005,644	\$ 360,102	\$ 282,926
Equity securities	2,535	6,179	2,535	6,179
Mutual funds - equities	9,547,546	9,697,423	9,316,667	9,466,616
Mutual funds - fixed-income	657,503	664,261	651,054	641,200
Mutual funds - ETFs	4,113,770	4,618,417	4,270,045	4,150,835
Limited partnerships and other investments	<u>30,805,139</u>	<u>20,826,914</u>	<u>28,006,265</u>	<u>21,204,285</u>
	<u>\$ 46,132,995</u>	<u>\$ 36,818,838</u>	<u>\$ 42,606,668</u>	<u>\$ 35,752,041</u>

As portrayed above, concentrations of the Institute's investment in excess of 10% of the fair value of its portfolio included approximately (i) 21% invested in mutual funds - equities, and (ii) 67% 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,	
	2015	2014
Interest and dividends	\$ 867,994	\$ 530,773
Net realized and unrealized gains	2,908,553	5,116,508
Investment advisory fees	<u>(334,224)</u>	<u>(360,393)</u>
	3,442,323	5,286,888
Less: Net investment allocation for current operations	(1,938,992)	(1,772,441)
Less: Investment loss (income) from operating accounts	<u>38,920</u>	<u>(63,733)</u>
Net investment income after income allocation and operating accounts	<u>\$ 1,542,251</u>	<u>\$ 3,450,714</u>

## CANCER RESEARCH INSTITUTE, INC.

### Notes to Financial Statements June 30, 2015 and 2014

#### 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 2015 and 2014, there were no transfers among the fair value hierarchy levels.

**CANCER RESEARCH INSTITUTE, INC.**

**Notes to Financial Statements  
June 30, 2015 and 2014**

**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:

	<b>June 30, 2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash equivalents	\$ 1,006,502			\$ 1,006,502
Equity securities	2,535			2,535
Mutual funds - equities	9,547,546			9,547,546
Mutual funds - fixed-income	657,503			657,503
Mutual funds - ETFs	4,113,770			4,113,770
Limited partnerships and other investments		\$ 6,580,050	\$ 5,020,166	11,600,216
Funds valued at NAV (see note above)				<u>19,204,923</u>
<b>Total</b>	<u><b>\$ 15,327,856</b></u>	<u><b>\$ 6,580,050</b></u>	<u><b>\$ 5,020,166</b></u>	<u><b>\$ 46,132,995</b></u>

  

	<b>June 30, 2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash equivalents	\$ 360,102			\$ 360,102
Equity securities	2,535			2,535
Mutual funds - equities	9,316,667			9,316,667
Mutual funds - fixed-income	651,054			651,054
Mutual funds - ETFs	4,270,045			4,270,045
Limited partnerships and other investments		\$ 5,897,956	\$ 3,941,661	9,839,617
Funds valued at NAV (see note above)				<u>18,166,648</u>
<b>Total</b>	<u><b>\$ 14,600,403</b></u>	<u><b>\$ 5,897,956</b></u>	<u><b>\$ 3,941,661</b></u>	<u><b>\$ 42,606,668</b></u>

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

	<b>Limited Partnerships June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Balance - beginning of year</b>	<b>\$ 3,941,661</b>	\$ 3,309,711
Net purchases	920,073	2,006,059
Net sales	(470,284)	(1,917,528)
Unrealized gains	<u>628,716</u>	<u>543,419</u>
<b>Balance - end of year</b>	<u><b>\$ 5,020,166</b></u>	<u><b>\$ 3,941,661</b></u>

## CANCER RESEARCH INSTITUTE, INC.

### Notes to Financial Statements June 30, 2015 and 2014

#### NOTE C - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category:

	<b>June 30, 2015</b>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds	\$ 9,706,815	\$ 6,668,121	N/A	N/A
Multiple hedge funds	11,198,317		Quarterly	60-80 Days
Sole hedge fund	265,386		Monthly	95 Days
Sole hedge fund	1,348,565		N/A	30 Days
Fund-of-funds	<u>8,286,056</u>		Monthly	95 Days
	<u>\$ 30,805,139</u>	<u>\$ 6,668,121</u>		

#### NOTE D - PROPERTY AND EQUIPMENT

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

	<b>June 30,</b>	
	<u>2015</u>	<u>2014</u>
Office equipment	\$ 555,086	\$ 535,964
Leasehold improvements	<u>204,652</u>	<u>198,152</u>
	<b>759,738</b>	734,116
Less accumulated depreciation and amortization	<u>(574,043)</u>	<u>(489,450)</u>
	<u>\$ 185,695</u>	<u>\$ 244,666</u>

During fiscal-year 2014, the Institute disposed of fully depreciated assets with a cost basis of \$39,515.

#### NOTE E - GRANTS AND FELLOWSHIPS PAYABLE

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

	<b>June 30,</b>	
	<u>2015</u>	<u>2014</u>
Due within two years	\$ 28,099,943	\$ 20,012,796
Due between one and five years	<u>22,786,946</u>	<u>13,939,192</u>
	<b>50,886,889</b>	33,951,988
Less present value discount of 1% to 2%	<u>(313,869)</u>	<u>(226,106)</u>
	<u>\$ 50,573,020</u>	<u>\$ 33,725,882</u>



## CANCER RESEARCH INSTITUTE, INC.

### Notes to Financial Statements June 30, 2015 and 2014

#### 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>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
Clinical and laboratory research	\$ 15,495,647	\$ 26,814,485
Combined federal campaign restricted for future periods	<u>291,861</u>	<u>414,522</u>
	<u>\$ 15,787,508</u>	<u>\$ 27,229,007</u>
Permanently restricted net assets:		
Fellowships	\$ 2,878,391	\$ 2,878,391
Other	<u>642,563</u>	<u>681,483</u>
	<u>\$ 3,520,954</u>	<u>\$ 3,559,874</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>2015</u>	<u>2014</u>
Clinical and laboratory research	\$ 12,391,682	\$ 790,273
Combined federal campaign restricted for future periods	<u>414,422</u>	<u>450,785</u>
	<u>\$ 12,806,104</u>	<u>\$ 1,241,058</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, 2015 and 2014**

**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, 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>

	<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 3,559,874	\$ 3,559,874
Board-designated endowment funds	<u>\$ 3,046,819</u>		<u>3,046,819</u>
Total funds	<u>\$ 3,046,819</u>	<u>\$ 3,559,874</u>	<u>\$ 6,606,693</u>

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

	<u>Year Ended June 30, 2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 3,046,819</u>		<u>\$ 3,559,874</u>	<u>\$ 6,606,693</u>
Investment return:				
Investment income	58,488	\$ 96,563		155,051
Net appreciation (depreciation) (realized and unrealized)	<u>225,585</u>	<u>48,295</u>	<u>(38,920)</u>	<u>234,960</u>
Total investment return	<u>284,073</u>	<u>144,858</u>	<u>(38,920)</u>	<u>390,011</u>
Contributions	34,275			34,275
Appropriation of endowment assets for expenditure		<u>(144,858)</u>		<u>(144,858)</u>
Endowment net assets, end of year	<u>\$ 3,365,167</u>	<u>\$ 0</u>	<u>\$ 3,520,954</u>	<u>\$ 6,886,121</u>

# CANCER RESEARCH INSTITUTE, INC.

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

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

	Year Ended June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 2,624,026		\$ 3,495,391	\$ 6,119,417
Investment return:				
Investment income	32,994	\$ 77,233		110,227
Net appreciation (realized and unrealized)	<u>358,313</u>	<u>265,194</u>	<u>63,733</u>	<u>687,240</u>
Total investment return	391,307	342,427	63,733	797,467
Contributions	31,486		750	32,236
Appropriation of endowment assets for expenditure	<u>                    </u>	<u>(342,427)</u>	<u>                    </u>	<u>(342,427)</u>
Endowment net assets, end of year	\$ <u>3,046,819</u>	\$ <u>          0</u>	\$ <u>3,559,874</u>	\$ <u>6,606,693</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.

#### [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. There were no such deficiencies in either fiscal year 2015 or 2014.

## CANCER RESEARCH INSTITUTE, INC.

### Notes to Financial Statements 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 \$72,737 and \$141,504 in fiscal-years 2015 and 2014, respectively. The Institute allocated such costs as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Marketing and development	\$ 29,968	\$ 56,602
Science, medical and research information and communications	<u>42,769</u>	<u>84,902</u>
	<u>\$ 72,737</u>	<u>\$ 141,504</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 2015 and 2014, the Institute contributed approximately \$179,786 and \$163,184, 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 institution 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, 2015 and 2014

### 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>
2016	\$ 525,583	\$ (79,546)	\$ 446,037
2017	540,036	(81,933)	458,103
2018	<u>94,619</u>	<u>(13,806)</u>	<u>80,813</u>
	<u>\$ 1,160,238</u>	<u>\$ (175,285)</u>	<u>\$ 984,953</u>

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