



National Brain Tumor Society

AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
National Brain Tumor Society, Inc. and Subsidiaries:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Brain Tumor Society, Inc. (a Massachusetts corporation, not for profit) and Subsidiaries which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Brain Tumor Society, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Acorn, Penning & Co., P.C.

Wellesley, Massachusetts
December 27, 2016

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2015 and 2014

Assets	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 833,169	\$ 1,014,436
Funds held for others	-	397,000
Current portion of pledges receivable	228,515	498,061
Investments	1,181,363	1,640,680
Prepaid expenses	59,255	13,308
Total current assets	2,302,302	3,563,485
Pledges Receivable, net of current portion, discount and allowance for doubtful accounts	306,500	513,900
Security Deposits	50,596	50,596
Property, Plant and Equipment, net	54,266	165,099
Total assets	<u>\$ 2,713,664</u>	<u>\$ 4,293,080</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 313,028	\$ 185,695
Accrued expenses	198,512	269,791
Funds held for others	-	397,000
Research grants payable	2,065,650	2,313,747
Deferred revenue	40,000	45,396
Total current liabilities	2,617,190	3,211,629
Research Grants Payable, net of current portion	670,619	-
Accrued Rent	106,104	122,205
Total liabilities	<u>3,393,913</u>	<u>3,333,834</u>
Net Assets:		
Unrestricted:		
Operating	(2,392,383)	(493,376)
Property, plant and equipment	54,266	165,099
Total unrestricted	(2,338,117)	(328,277)
Temporarily restricted	1,361,214	990,869
Permanently restricted	296,654	296,654
Total net assets	<u>(680,249)</u>	<u>959,246</u>
Total liabilities and net assets	<u>\$ 2,713,664</u>	<u>\$ 4,293,080</u>

The accompanying notes are an integral part of these consolidated statements.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue:								
Fundraising and special events	\$ 6,827,585	\$ 278,230	\$ -	\$ 7,105,815	\$ 6,391,854	\$ 323,874	\$ -	\$ 6,715,728
Grants and contributions	1,030,650	593,598	-	1,624,248	2,195,509	476,633	-	2,672,142
Donated goods and services	402,352	-	-	402,352	550,296	-	-	550,296
Interest and dividends	41,569	1,387	-	42,956	50,422	4,611	-	55,033
Net assets released from restrictions	502,870	(502,870)	-	-	1,565,728	(1,565,728)	-	-
Total operating revenue	8,805,026	370,345	-	9,175,371	10,753,809	(760,610)	-	9,993,199
Operating Expenses:								
Program	8,294,478	-	-	8,294,478	10,473,061	-	-	10,473,061
Fundraising	1,605,043	-	-	1,605,043	1,844,281	-	-	1,844,281
General and administrative	905,126	-	-	905,126	651,520	-	-	651,520
Total operating expenses	10,804,647	-	-	10,804,647	12,968,862	-	-	12,968,862
Changes in net assets from operations	(1,999,621)	370,345	-	(1,629,276)	(2,215,053)	(760,610)	-	(2,975,663)
Non-Operating Revenue (Expenses):								
Net gain (loss) on investments	(10,219)	-	-	(10,219)	44,665	-	-	44,665
Changes in net assets	(2,009,840)	370,345	-	(1,639,495)	(2,170,388)	(760,610)	-	(2,930,998)
Net Assets:								
Beginning of year	(328,277)	990,869	296,654	959,246	1,842,111	1,751,479	296,654	3,890,244
End of year	<u>\$ (2,338,117)</u>	<u>\$ 1,361,214</u>	<u>\$ 296,654</u>	<u>\$ (680,249)</u>	<u>\$ (328,277)</u>	<u>\$ 990,869</u>	<u>\$ 296,654</u>	<u>\$ 959,246</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (1,639,495)	\$ (2,930,998)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	110,833	113,755
Uncollectible pledges	243,400	14,750
Net realized and unrealized loss on investments	(2,694)	(65,434)
Loss on disposal of equipment	-	1,548
Changes in operating assets and liabilities:		
Pledges receivable	233,546	(287,564)
Prepaid expenses	(45,947)	58,372
Security deposits	-	4,165
Accounts payable	127,333	(139,410)
Accrued expenses	(71,279)	23,910
Research grants payable	422,522	(7,883)
Deferred revenue	(5,396)	15,364
Accrued rent	(16,101)	13,263
	<u>(643,278)</u>	<u>(3,186,162)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities:		
Proceeds from sales of investments	1,951,534	5,674,937
Purchases of investments and dividends reinvested	(1,489,523)	(3,739,110)
	<u>462,011</u>	<u>1,935,827</u>
Net cash provided by investing activities		
	<u>(181,267)</u>	<u>(1,250,335)</u>
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents:		
Beginning of year	<u>1,014,436</u>	<u>2,264,771</u>
End of year	<u>\$ 833,169</u>	<u>\$ 1,014,436</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2015

(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	2015				2014
	Program	Fundraising	General and Administrative	Total	Total
Expenses:					
Personnel:					
Salaries	\$ 2,305,166	\$ 546,303	\$ 320,484	\$ 3,171,953	\$ 4,124,714
Payroll taxes and fringe benefits	382,997	164,104	63,656	610,757	947,337
Total personnel	2,688,163	710,407	384,140	3,782,710	5,072,051
Grants:					
Research grants	2,061,287	-	-	2,061,287	2,337,405
Financial assistance	11,300	-	-	11,300	114,144
Total grants	2,072,587	-	-	2,072,587	2,451,549
Other:					
Special events	856,279	227,763	9,715	1,093,757	1,053,550
Professional services	687,333	51,926	172,929	912,188	1,114,091
Systems and technology	397,034	28,024	42,490	467,548	468,078
Donated goods and services	308,240	94,112	-	402,352	550,296
Merchandise	210,063	170,071	-	380,134	132,822
Travel	235,524	111,971	30,043	377,538	629,769
Occupancy	201,964	39,259	39,520	280,743	303,416
Bad debt expense	97,360	-	146,040	243,400	14,750
Bank fees	174,424	43,338	-	217,762	227,048
Depreciation	80,488	15,065	15,280	110,833	113,755
Website	66,744	34,122	7,423	108,289	104,310
Postage and shipping	35,834	42,413	6,496	84,743	133,899
Office	21,400	6,807	27,230	55,437	114,415
Dues and subscriptions	51,273	1,525	1,437	54,235	37,242
Training and recruiting	21,020	17,752	10,331	49,103	134,845
Advertising	35,782	6,787	-	42,569	156,101
Insurance	15,630	3,410	2,903	21,943	26,831
Board travel and meetings	19,812	-	-	19,812	15,152
Public relations	17,089	291	-	17,380	106,813
Miscellaneous	435	-	9,149	9,584	2,423
Mailings	-	-	-	-	5,656
Total other	3,533,728	894,636	520,986	4,949,350	5,445,262
Total expenses	\$ 8,294,478	\$ 1,605,043	\$ 905,126	\$ 10,804,647	\$ 12,968,862

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total</u>
Expenses:				
Personnel:				
Salaries	\$ 3,506,008	\$ 412,471	\$ 206,235	\$ 4,124,714
Payroll taxes and fringe benefits	805,234	94,734	47,369	947,337
Total personnel	<u>4,311,242</u>	<u>507,205</u>	<u>253,604</u>	<u>5,072,051</u>
Grants:				
Research grants	2,337,405	-	-	2,337,405
Financial assistance	114,144	-	-	114,144
Total grants	<u>2,451,549</u>	<u>-</u>	<u>-</u>	<u>2,451,549</u>
Other:				
Special events	722,127	321,979	9,444	1,053,550
Professional services	836,120	162,953	115,018	1,114,091
Systems and technology	339,408	64,183	64,487	468,078
Donated goods and services	395,208	155,088	-	550,296
Merchandise	77,877	54,945	-	132,822
Travel	353,807	228,645	47,317	629,769
Occupancy	228,587	41,629	33,200	303,416
Bad debt expense	-	-	14,750	14,750
Bank fees	186,449	37,415	3,184	227,048
Depreciation	88,299	15,462	9,994	113,755
Website	29,652	33,189	41,469	104,310
Postage and shipping	71,145	61,021	1,733	133,899
Office	71,564	19,677	23,174	114,415
Dues and subscriptions	28,749	5,414	3,079	37,242
Training and recruiting	104,562	19,037	11,246	134,845
Advertising	90,689	65,412	-	156,101
Insurance	20,813	3,777	2,241	26,831
Board travel and meetings	-	-	15,152	15,152
Public relations	65,171	41,642	-	106,813
Miscellaneous	-	-	2,423	2,423
Mailings	43	5,608	5	5,656
Total other	<u>3,710,270</u>	<u>1,337,076</u>	<u>397,916</u>	<u>5,445,262</u>
Total expenses	<u>\$ 10,473,061</u>	<u>\$ 1,844,281</u>	<u>\$ 651,520</u>	<u>\$ 12,968,862</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

National Brain Tumor Society, Inc. (NBTS) (a Massachusetts corporation, not for profit) is fiercely committed to finding better treatments, and ultimately a cure, for people living with a brain tumor today and anyone who will be diagnosed tomorrow. This means effecting change in the system at all levels. Through thoughtful engagement with world-renowned leaders in the field, our staff strive to deeply understand the state of brain tumor research in order to design targeted, high-impact research initiatives.

NBTS closely follows legislation that has a direct impact on the brain tumor community, using advocacy updates and alerts from our Director of Public Policy to keep the community informed. NBTS' advocacy voice is critical in protecting research funding for brain tumors and making sure healthcare needs are being met.

Cure GBM, LLC (Cure GBM), is a Delaware limited liability company organized on October 3, 2012, for the purpose of leveraging team science and collaboration in order to direct research and to accelerate drug discovery and development activities so as to advance efficacious therapies for Glioblastoma Multiforme to the clinic as quickly as possible. NBTS is the sole member of Cure GBM.

Pediatric Cancer Cure, LLC (PCC), is also a Delaware limited liability company organized on October 1, 2014, for the purpose of carrying out fundraising, research and other related activities associated with pediatric brain tumors. NBTS is the sole member of PCC.

The accompanying consolidated financial statements include activity of cure GMB and PCC for the years ended December 31, 2015 and 2014.

NBTS is located in Newton, Massachusetts.

NBTS is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NBTS is also exempt from state income taxes. Donors may deduct contributions made to NBTS within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

NBTS, Cure GBM and PCC prepare their consolidated financial statements in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidated financial statements include the accounts of NBTS, Cure GBM and PCC. NBTS is the sole member of Cure GBM and PCC. Based on this relationship, NBTS, Cure GBM and PCC issue consolidated financial statements. All material intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. NBTS, Cure GBM and PCC are collectively referred to as the Organization in these consolidated financial statements.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from unrestricted grants and contributions is recorded as unrestricted revenue and net assets when unconditionally pledged or received. Fundraising and special events revenue is recognized as revenue when the event occurs. Revenue from restricted grants is recorded as temporarily restricted revenue and net assets when unconditionally pledged or received. Transfers are made to unrestricted revenue and net assets as costs are incurred or time restrictions or program restrictions have lapsed.

All other revenue is recorded when earned.

Deferred Revenue

Deferred revenue consists of revenue received in advance of the events.

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

Operating – Operating net assets represent unrestricted resources available for the Organization's operations.

Property, plant and equipment – Property, plant and equipment net assets reflect the net book value of the Organization's property, plant and equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted) (see Note 8).

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets are restricted by the donors against any expenditure of principal (see Note 9).

Cash and Cash Equivalents

Cash and cash equivalents for consolidated statements of cash flow purposes consist of checking and money market accounts excluding those held in the investment portfolio.

Funds Held for Others

Funds held for others consisted of cash that was being held by the Organization on behalf of another non-profit entity. There were no such funds at December 31, 2015.

Pledges Receivable

Pledges receivable consist of amounts committed by donors which have not been received by the end of the fiscal year. These pledges are expected to be collected as follows at December 31:

	<u>2015</u>	<u>2014</u>
One year	\$ 228,515	\$ 498,061
One to five years	<u>330,000</u>	<u>537,400</u>
	558,515	1,035,461
Less - discount	13,500	13,500
Less - allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
	535,015	1,011,961
Less - current portion	<u>228,515</u>	<u>498,061</u>
	\$ <u>306,500</u>	\$ <u>513,900</u>
Long-term pledges receivable, net		

Pledges receivable at December 31, 2015 and 2014, are recorded at their net present value using a 3% discount rate.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in pledges receivable. The allowance is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment and Depreciation

Property, plant and equipment (see Note 2) are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Computers and computer software	3 - 5 years
Furniture and fixtures	7 years
Leasehold improvements	Term of lease

Research Grant Commitments

Research grants are recorded when awarded by the Organization and as the conditions of the grant are met by the grantee.

Research grants expected to be paid during the subsequent fiscal year are shown as current liabilities in the accompanying consolidated statements of financial position.

Advertising Costs

The Organization expenses advertising costs as incurred. Total advertising costs for the years ended December 31, 2015 and 2014, were \$42,569 and \$156,101, respectively.

Donated Goods and Services

Volunteers and other organizations contribute goods and services to the Organization in support of various aspects of its programs. These goods and services are reflected in the accompanying consolidated financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management and consist of the donated multimedia and production for web segments and legal services. The value of these donated goods and services for the years ended December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Donated services	\$ 319,271	\$ 484,580
Donated raffle prizes	73,191	15,350
Donated food	<u>9,890</u>	<u>50,366</u>
	<u>\$ 402,352</u>	<u>\$ 550,296</u>

The Organization also receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying consolidated financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the standards for ASC Topic, *Accounting for Contributions Received and Contributions Made*.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2015 and 2014.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash Equivalents

Cash equivalents consist of money market accounts. Cash equivalents are considered Level 1 in the fair value hierarchy.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

The Organization records investments at fair value. Investment gains and losses are reflected in the accompanying consolidated statements of activities and changes in net assets as realized upon sale or as unrealized based on changes in fair value of securities held. Interest and dividends are recorded when earned.

If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

The Organization received two five year bonds in 2012 and 2013 valued at \$5,000 each. These bonds are valued using the face value at their maturity dates of 2017 and 2018, respectively.

Subsequent Events

Subsequent events have been evaluated through December 27, 2016, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidated financial statements.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Computers and computer software	\$ 606,395	\$ 606,395
Furniture and fixtures	195,197	195,197
Leasehold improvements	<u>135,666</u>	<u>135,666</u>
	937,258	937,258
Less - accumulated depreciation	<u>882,992</u>	<u>772,159</u>
Net property, plant and equipment	<u>\$ 54,266</u>	<u>\$ 165,099</u>

3. INVESTMENTS

The primary investment objective is to balance the protection of asset values while earning a return. Investment allocations are periodically reviewed by the Finance Committee and adjustments are made. The Board of Directors will review and make changes as necessary on an annual basis.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2015 and 2014

3. INVESTMENTS (Continued)

Investments are presented in the accompanying consolidated financial statements at fair value using Level 1 and Level 2 inputs (see Note 1) and are comprised of the following as of December 31:

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal bonds	\$ -	\$ 794,768	\$ -	\$ 794,768
Equities	159,903	-	-	159,903
Corporate bonds	-	118,975	-	118,975
U.S. treasuries	-	76,168	-	76,168
Cash and money markets	21,549	-	-	21,549
Israel bonds	-	<u>10,000</u>	-	<u>10,000</u>
Total	<u>\$ 181,452</u>	<u>\$ 999,911</u>	<u>\$ -</u>	<u>\$ 1,181,363</u>
<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,041,687	\$ -	\$ -	\$ 1,041,687
Corporate bonds	-	358,975	-	358,975
U.S. treasuries	-	203,041	-	203,041
Cash and money markets	26,977	-	-	26,977
Israel bonds	-	<u>10,000</u>	-	<u>10,000</u>
Total	<u>\$ 1,068,664</u>	<u>\$ 572,016</u>	<u>\$ -</u>	<u>\$ 1,640,680</u>

Investments are not insured and are subject to ongoing market fluctuations.

Net gain (loss) on investments consists of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Realized gain on investments	\$ 96,108	\$ 80,991
Unrealized loss on investments	(98,802)	(15,557)
Investment fees	<u>(7,525)</u>	<u>(20,769)</u>
Net gain (loss) on investments	<u>\$ (10,219)</u>	<u>\$ 44,665</u>

Investments have been classified as current in the accompanying consolidated statements of financial position as of December 31, 2015 and 2014, as management intends to utilize investment returns and balances to fulfill grants payable obligations.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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4. ENDOWMENT FUNDS

Changes in endowment net assets by class are as follows for the years ended December 31, 2015 and :

	Donor Restricted		Total Endowment
	Temporarily Restricted	Permanently Restricted	
Endowment net assets, December 31, 2013	\$ 3,745	\$ 296,654	\$ 300,399
Interest and dividends	<u>4,611</u>	<u>-</u>	<u>4,611</u>
Endowment net assets, December 31, 2014	8,356	296,654	305,010
Interest and dividends	<u>1,387</u>	<u>-</u>	<u>1,387</u>
Endowment net assets, December 31, 2015	<u>\$ 9,743</u>	<u>\$ 296,654</u>	<u>\$ 306,397</u>

The Organization manages this permanently restricted balance under the prudent-management standards as outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization benchmarks the investment returns of the permanently restricted investment portfolio using the 90-day Treasury Bill index. The Organization targets a 100% fixed income allocation, with a duration less than or equal to 3 years.

Income earned on the permanently restricted net assets is restricted to support the costs of producing and distributing *The Essential Guide to Brain Tumors*. Distributions are made annually as funds are available and costs are incurred relating to the restriction. There were no releases in 2015 or .

5. OPERATING LEASES

The Organization leases office space under operating leases in Massachusetts, Pennsylvania and Arizona, which expire on various dates through December 31, 2022. The Pennsylvania agreement has an option to extend the lease for one additional three-year term and the Massachusetts agreement had an option to extend the lease for one additional five-year term. These leases required monthly payments ranging from \$1,698 to \$17,501 for the years ended December 31, 2015 and 2014. The lease in Pennsylvania was terminated in December, 2015. The lease in Arizona was terminated during 2016.

As part of a lease agreement signed during 2013, the Organization received six months of free rent. The Organization is recognizing rent expense on a straight-line basis over the term of the leases in accordance with guidance for ASC Topic, *Accounting for Leases*.

The deferred rent liability at December 31, 2015 and 2014, is reflected in accrued rent as a result of rent being recognized on the straight-line method.

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5. OPERATING LEASES (Continued)

Total rent expense incurred for the years ended December 31, 2015 and 2014, was \$278,147 and \$291,452, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses. Future minimum cash lease payments over the remaining terms of the leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 215,708
2017	\$ 197,174
2018	\$ 192,407
2019	\$ 198,948
2020	\$ 205,711
Thereafter	\$ 432,539

6. CONCENTRATIONS

The Organization maintains its operating cash and money market balances in various banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the years ended December 31, 2015 and 2014, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its operating cash balance.

7. EMPLOYMENT BENEFIT PLANS

The Organization has adopted a tax deferred pension plan under Section 403(b) of the IRC for all employees. Prior to 2015, the Organization contributed 3% of each participant's annual salary to the plan. During 2015 the plan was amended, whereby the Organization will only contribute matching contributions up to 3% for contributing employees. The Organization's contributions for the years ended December 31, 2015 and 2014, totaled \$51,965 and \$109,853, respectively, which are included in payroll taxes and fringe benefits in the accompanying consolidated statements of functional expenses.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Purpose restrictions	\$ 1,351,471	\$ 982,513
Unspent appreciation on endowment	<u>9,743</u>	<u>8,356</u>
	<u>\$ 1,361,214</u>	<u>\$ 990,869</u>

9. PERMANENTLY RESTRICTED NET ASSETS

A portion of the Organization's endowment net assets is held as permanently restricted net assets in which the principal and any current contributions are permanently restricted. The balance is held in a money market reserve account and its valuation represents the fair value of these shares as of December 31, 2015 and 2014. The balance of these permanently restricted net assets as of December 31, 2015 and 2014, was \$296,654.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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10. COMMITMENTS

The Organization has made additional funding commitments through December 31, 2015, to brain tumor research centers in the U.S. and Canada that are not reflected as payables in the accompanying consolidated statements of financial position but represent future planned distributions of research grants that are contingent on performance under the provisions of the grants and other funding considerations. As of December 31, 2015 and 2014, the total balance of these planned grants was approximately \$3,500,000 and \$4,500,000, respectively.

11. RELATED PARTY TRANSACTIONS

The Organization's consolidated financial statements include the following entities:

Cure GBM, LLC (Cure GBM), NBTS paid \$263,916 in legal and grants expenses on behalf of Cure GBM for the year ended December 31, 2015. There were no such transactions for the year ended December 31, 2014.

Pediatric Cancer Cure, LLC (PCC), NBTS paid \$4,448 in legal expenses on behalf of PCC for the year ended December 31, 2015. There were no such transactions for the year ended December 31, 2014.

One of the Organization's non-voting Board members provided donated legal services to the Organization totaling \$308,240 and \$393,566 for the years ended December 31, 2015 and 2014, respectively. These amounts are included in donated goods and services in the accompanying consolidated statements of activities and changes in net assets and functional expenses.

12. CONTINUING OPERATIONS

The Organization had unrestricted losses from operations of approximately \$2,000,000 and \$2,215,000 for the years ended December 31, 2015 and 2014, respectively. In addition, the Organization had unrestricted operating net assets of \$(2,392,383) and \$(493,376) as of December 31, 2015 and 2014, respectively.

Management is projecting a more successful year in 2016, with an anticipated net loss of \$500,000. This represents an improvement of approximately \$1,500,000 over 2015. Management continues to develop the path to financial stability and is confident in the ability to progress based on the following:

- Management successfully identified new individual donors as sources of revenue and was able to wage the most successful end-of-year campaign in the organization's history as a result of a new and improved holiday season campaign strategy. Giving Tuesday efforts resulted in an additional \$20,000.
- Management identified and established new community-based events late in 2015 that generated new and sustainable revenue. The community events registration is up approximately \$466,000 over 2015.
- Management restructured grant payments so that researchers can receive the funding the Organization committed to but on a schedule that better suits the Organization's cash flow projections.
- Management implemented cost containment by reducing salaries (\$439,000) and related benefits (\$138,000), reducing the usage of consultants (\$296,000), restrictions on and reducing travel (\$75,000), and equipment rentals (\$196,000).

Management believes that the ongoing activities and actions taken will enable the Organization to continue as a going concern.