



National Brain Tumor Society

AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Contents
December 31, 2016 and 2015

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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, 2016 and 2015, 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

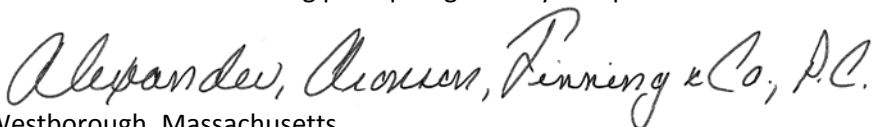
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable 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, 2016 and 2015, 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.


Westborough, Massachusetts
October 19, 2017

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 1,405,475	\$ 833,169
Current portion of pledges receivable	234,349	228,515
Short-term investments	102,147	884,709
Prepaid expenses and other assets	84,306	59,255
Total current assets	1,826,277	2,005,648
Pledges Receivable, net of current portion, discount and allowance for doubtful accounts	144,079	306,500
Security Deposits	44,501	50,596
Investments	296,654	296,654
Property, Plant and Equipment, net	24,434	54,266
Total assets	\$ 2,335,945	\$ 2,713,664
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 223,001	\$ 313,028
Accrued expenses	150,971	198,512
Current portion of research grants payable	951,042	2,065,650
Deferred revenue	85,448	40,000
Total current liabilities	1,410,462	2,617,190
Research Grants Payable, net of current portion	648,332	670,619
Accrued Rent	109,887	106,104
Total liabilities	2,168,681	3,393,913
Net Assets:		
Unrestricted:		
Operating	(558,814)	(2,392,383)
Property, plant and equipment	24,434	54,266
Total unrestricted	(534,380)	(2,338,117)
Temporarily restricted	404,990	1,361,214
Permanently restricted	296,654	296,654
Total net assets	167,264	(680,249)
Total liabilities and net assets	\$ 2,335,945	\$ 2,713,664

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, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue:								
Fundraising and special events	\$ 6,279,899	\$ 700,831	\$ -	\$ 6,980,730	\$ 6,827,585	\$ 278,230	\$ -	\$ 7,105,815
Grants and contributions	1,597,491	1,157,567	-	2,755,058	1,030,650	593,598	-	1,624,248
Donated goods and services	208,986	-	-	208,986	402,352	-	-	402,352
Interest and dividends	17,081	5,707	-	22,788	41,569	1,387	-	42,956
Net assets released from restrictions	2,820,329	(2,820,329)	-	-	502,870	(502,870)	-	-
Total operating revenue	10,923,786	(956,224)	-	9,967,562	8,805,026	370,345	-	9,175,371
Operating Expenses:								
Program	6,914,420	-	-	6,914,420	8,294,478	-	-	8,294,478
Fundraising	1,685,189	-	-	1,685,189	1,605,043	-	-	1,605,043
General and administrative	540,281	-	-	540,281	905,126	-	-	905,126
Total operating expenses	9,139,890	-	-	9,139,890	10,804,647	-	-	10,804,647
Changes in net assets from operations	1,783,896	(956,224)	-	827,672	(1,999,621)	370,345	-	(1,629,276)
Non-Operating Gains (Losses):								
Net gain (loss) on investments	19,841	-	-	19,841	(10,219)	-	-	(10,219)
Changes in net assets	1,803,737	(956,224)	-	847,513	(2,009,840)	370,345	-	(1,639,495)
Net Assets:								
Beginning of year	(2,338,117)	1,361,214	296,654	(680,249)	(328,277)	990,869	296,654	959,246
End of year	\$ (534,380)	\$ 404,990	\$ 296,654	\$ 167,264	\$ (2,338,117)	\$ 1,361,214	\$ 296,654	\$ (680,249)

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

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 847,513	\$ (1,639,495)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	45,888	110,833
Uncollectible pledges	5,000	243,400
Net realized and unrealized (gain) loss on investments	(22,228)	2,694
Changes in operating assets and liabilities:		
Pledges receivable	151,587	233,546
Prepaid expenses and other assets	(25,051)	(45,947)
Security deposits	6,095	-
Accounts payable	(90,027)	127,333
Accrued expenses	(47,541)	(71,279)
Research grants payable	(1,136,895)	422,522
Deferred revenue	45,448	(5,396)
Accrued rent	3,783	(16,101)
	<u>(216,428)</u>	<u>(637,890)</u>
Net cash used in operating activities		
	<u>(216,428)</u>	<u>(637,890)</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	930,183	1,946,146
Purchases of investments and dividends reinvested	(125,393)	(1,489,523)
Acquisition of property, plant and equipment	(16,056)	-
	<u>788,734</u>	<u>456,623</u>
Net cash provided by investing activities		
	<u>788,734</u>	<u>456,623</u>
Net Change in Cash and Cash Equivalents	572,306	(181,267)
Cash and Cash Equivalents:		
Beginning of year	<u>833,169</u>	<u>1,014,436</u>
End of year	<u><u>\$ 1,405,475</u></u>	<u><u>\$ 833,169</u></u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2016

(With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016			2015	
	Program	Fundraising	General and Administrative	Total	Total
Expenses:					
Personnel:					
Salaries	\$ 1,525,664	\$ 662,342	\$ 190,313	\$ 2,378,319	\$ 3,171,953
Payroll taxes and fringe benefits	288,334	124,297	37,664	450,295	610,757
Total personnel	<u>1,813,998</u>	<u>786,639</u>	<u>227,977</u>	<u>2,828,614</u>	<u>3,782,710</u>
Grants:					
Research grants	2,264,482	-	-	2,264,482	2,061,287
Financial assistance	37,000	-	-	37,000	11,300
Total grants	<u>2,301,482</u>	<u>-</u>	<u>-</u>	<u>2,301,482</u>	<u>2,072,587</u>
Other:					
Special events	832,963	400,440	1,622	1,235,025	1,093,757
Professional services	465,782	70,092	134,898	670,772	912,188
Systems and technology	399,101	8,478	85,813	493,392	467,548
Travel	231,289	71,139	6,301	308,729	377,538
Merchandise	91,516	137,121	-	228,637	380,134
Bank fees	180,643	45,064	-	225,707	217,762
Occupancy	157,305	41,187	26,119	224,611	280,743
Donated goods and services	162,170	46,816	-	208,986	402,352
Advertising	73,339	10,736	-	84,075	42,569
Postage and shipping	24,527	32,793	1,684	59,004	84,743
Depreciation	22,944	-	22,944	45,888	110,833
Office	21,344	10,343	13,462	45,149	55,437
Public relations	38,523	1,218	-	39,741	17,380
Dues and subscriptions	35,966	809	669	37,444	54,235
Training and recruiting	17,984	7,921	7,303	33,208	49,103
Website	16,930	3,025	904	20,859	108,289
Mailings	7,378	11,068	-	18,446	-
Insurance	4,553	300	6,529	11,382	21,943
Board travel and meetings	10,924	-	-	10,924	19,812
Bad debt	2,000	-	3,000	5,000	243,400
Miscellaneous	1,759	-	1,056	2,815	9,584
Total other	<u>2,798,940</u>	<u>898,550</u>	<u>312,304</u>	<u>4,009,794</u>	<u>4,949,350</u>
Total expenses	<u>\$ 6,914,420</u>	<u>\$ 1,685,189</u>	<u>\$ 540,281</u>	<u>\$ 9,139,890</u>	<u>\$ 10,804,647</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total</u>
Expenses:				
Personnel:				
Salaries	\$ 2,305,166	\$ 546,303	\$ 320,484	\$ 3,171,953
Payroll taxes and fringe benefits	382,997	164,104	63,656	610,757
Total personnel	<u>2,688,163</u>	<u>710,407</u>	<u>384,140</u>	<u>3,782,710</u>
Grants:				
Research grants	2,061,287	-	-	2,061,287
Financial assistance	11,300	-	-	11,300
Total grants	<u>2,072,587</u>	<u>-</u>	<u>-</u>	<u>2,072,587</u>
Other:				
Special events	856,279	227,763	9,715	1,093,757
Professional services	687,333	51,926	172,929	912,188
Systems and technology	397,034	28,024	42,490	467,548
Travel	235,524	111,971	30,043	377,538
Merchandise	210,063	170,071	-	380,134
Bank fees	174,424	43,338	-	217,762
Occupancy	201,964	39,259	39,520	280,743
Donated goods and services	308,240	94,112	-	402,352
Advertising	35,782	6,787	-	42,569
Postage and shipping	35,834	42,413	6,496	84,743
Depreciation	80,488	15,065	15,280	110,833
Office	21,400	6,807	27,230	55,437
Public relations	17,089	291	-	17,380
Dues and subscriptions	51,273	1,525	1,437	54,235
Training and recruiting	21,020	17,752	10,331	49,103
Website	66,744	34,122	7,423	108,289
Insurance	15,630	3,410	2,903	21,943
Board travel and meetings	19,812	-	-	19,812
Bad debt	97,360	-	146,040	243,400
Miscellaneous	435	-	9,149	9,584
Total other	<u>3,533,728</u>	<u>894,636</u>	<u>520,986</u>	<u>4,949,350</u>
Total expenses	<u>\$ 8,294,478</u>	<u>\$ 1,605,043</u>	<u>\$ 905,126</u>	<u>\$ 10,804,647</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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 to keep the community informed. NBTS's 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, 2016 and 2015.

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. Cure CBM and PCC are disregarded for tax purposes and the activities of both are included in the informational returns of NBTS.

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, 2016 and 2015

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.

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).

Permanently Restricted Net Assets

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

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.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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>2016</u>	<u>2015</u>
Less than one year	\$ 234,349	\$ 228,515
One to five years	<u>167,579</u>	<u>330,000</u>
	401,928	558,515
Less - discount	13,500	13,500
Less - allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
	378,428	535,015
Less - current portion	<u>234,349</u>	<u>228,515</u>
	144,079	306,500
Long-term pledges receivable, net	<u>\$ 144,079</u>	<u>\$ 306,500</u>

Pledges receivable at December 31, 2016 and 2015, 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.

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

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidated Statements of Activities and Change in Net Assets

Transactions deemed by management to be ongoing, major, or central to brain tumor research are reported as operating revenues and operating expenses in the accompanying consolidated statements of activities. Non-operating gains (losses) include gains (losses) on investments.

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, 2016 and 2015, were \$84,075 and \$42,569, 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, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Donated services	\$ 187,911	\$ 319,271
Donated raffle prizes	20,270	73,191
Donated food	<u>805</u>	<u>9,890</u>
	<u>\$ 208,986</u>	<u>\$ 402,352</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*.

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, 2016 and 2015. The Organization's information returns are subject to examination by Federal and state jurisdictions.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. During 2016, one of the bonds matured and the Organization received the net payment. The remaining bond is valued using the face value, and is set to mature in 2017.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principle Adoption

In 2017, the Organization adopted Accounting Standards Update 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which outlines management's responsibility in evaluating whether there is substantial doubt about an entity's ability to continue as a going concern, and if conditions give rise to substantial doubt, management's responsibility to consider its plan to alleviate substantial doubt (see Note 12).

Subsequent Events

Subsequent events have been evaluated through October 19, 2017, which is the date the consolidated financial statements were available to be issued (see Note 7).

2. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Computers and computer software	\$ 609,701	\$ 606,395
Furniture and fixtures	207,947	195,197
Leasehold improvements	<u>135,666</u>	<u>135,666</u>
	953,314	937,258
Less - accumulated depreciation	<u>928,880</u>	<u>882,992</u>
Net property, plant and equipment	<u>\$ 24,434</u>	<u>\$ 54,266</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.

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>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 164,820	\$ -	\$ -	\$ 164,820
Cash and money markets	130,803	-	-	130,803
Corporate bonds	-	98,178	-	98,178
Israel bonds	-	<u>5,000</u>	-	<u>5,000</u>
Total	<u>\$ 295,623</u>	<u>\$ 103,178</u>	<u>\$ -</u>	<u>\$ 398,801</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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3. INVESTMENTS (Continued)

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 159,903	\$ -	\$ -	\$ 159,903
Cash and money markets	21,549	-	-	21,549
Corporate bonds	-	118,975	-	118,975
Municipal bonds	-	794,768	-	794,768
U.S. treasuries	-	76,168	-	76,168
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>

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>2016</u>	<u>2015</u>
Unrealized gain (loss) on investments	\$ 23,962	\$ (98,802)
Realized gain (loss) on investments	(1,734)	96,108
Investment fees	<u>(2,387)</u>	<u>(7,525)</u>
Net gain (loss) on investments	<u>\$ 19,841</u>	<u>\$ (10,219)</u>

Investments, other than the balance of permanently restricted assets (see Note 4), have been classified as current in the accompanying consolidated statements of financial position as of December 31, 2016 and 2015, as management intends to utilize investment returns and balances to fulfill grants payable obligations.

4. ENDOWMENT FUNDS

Changes in endowment net assets by class are as follows for the years ended December 31, 2016 and 2015:

	<u>Donor Restricted</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, December 31, 2014	\$ 8,356	\$ 296,654	\$ 305,010
Interest and dividends	<u>1,387</u>	-	<u>1,387</u>
Endowment net assets, December 31, 2015	9,743	296,654	306,397
Interest and dividends	<u>5,707</u>	-	<u>5,707</u>
Endowment net assets, December 31, 2016	<u>\$ 15,450</u>	<u>\$ 296,654</u>	<u>\$ 312,104</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 ninety-day Treasury Bill index. The Organization targets a 100% fixed income allocation, with a duration less than or equal to three years.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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4. ENDOWMENT FUNDS (Continued)

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 2016 or 2015.

5. OPERATING LEASES

The Organization leases office space under an operating lease in Massachusetts which expires December 31, 2022. The Organization had also leased office space in Pennsylvania and Arizona under leases which expired in 2015 and 2016, respectively, and were not renewed. These leases required monthly payments ranging from \$2,712 to \$17,609 for the years ended December 31, 2016 and 2015, respectively. The Massachusetts agreement has an option to extend the lease for one additional five-year term.

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

The deferred rent liability at December 31, 2016 and 2015, is reflected in accrued rent as a result of rent being recognized on the straight-line method.

Total rent expense incurred for the years ended December 31, 2016 and 2015, was \$223,092 and \$278,147, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses.

Future minimum cash lease payments over the remaining term of the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 216,547
2018	\$ 222,829
2019	\$ 229,110
2020	\$ 235,392
2021	\$ 241,673
Thereafter	\$ 289,455

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, 2016 and 2015, 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. The Organization contributes matching contributions up to 3% for contributing employees. The Organization's contributions for the years ended December 31, 2016 and 2015, totaled \$48,591 and \$51,965, respectively, which are included in payroll taxes and fringe benefits in the accompanying consolidated statements of functional expenses. Subsequent to December 31, 2016, the 403(b) pension plan was terminated and the Organization established a tax deferred pension plan under Section 401(k) of the IRS for all employees.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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8. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Purpose restrictions	\$ 389,540	\$ 1,351,471
Unspent appreciation on endowment	<u>15,450</u>	<u>9,743</u>
	<u>\$ 404,990</u>	<u>\$ 1,361,214</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 the investment portfolio (see Note 3). The balance of these permanently restricted net assets as of December 31, 2016 and 2015, was \$296,654.

10. COMMITMENTS

The Organization has made additional funding commitments through December 31, 2016, to brain tumor research centers in the United States 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, 2016 and 2015, the total balance of these planned grants was approximately \$3,340,000 and \$5,450,000, respectively.

11. RELATED PARTY TRANSACTIONS

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

Cure GBM, LLC (Cure GBM), NBTS paid \$2,171,584 and \$263,916 in grant and legal expenses on behalf of Cure GBM for the years ended December 31, 2016 and 2015, respectively.

Pediatric Cancer Cure, LLC (PCC), NBTS paid \$198,641 and \$4,448 in grant and legal expenses on behalf of PCC for the years ended December 31, 2016 and 2015, respectively.

One of the Organization's non-voting Board members provided donated legal services to the Organization totaling \$117,274 and \$308,240 for the years ended December 31, 2016 and 2015, 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 an unrestricted gain from operations of approximately \$1,784,000 for the year ended December 31, 2016 and an unrestricted loss from operations of \$2,000,000 for the year ended December 31, 2015. In addition, the Organization had unrestricted operating net assets of \$(558,814) and \$(2,392,383) as of December 31, 2016 and 2015, respectively.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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12. CONTINUING OPERATIONS (Continued)

Management is projecting another successful year in 2017 with an anticipated surplus of at least \$800,000. Management continues to develop organizational financial strength and is confident in the ability to meet obligations and serve the community based on the following:

- Management successfully expanded the major donor program and improved donor giving campaigns due to new low-cost cultivation events and significant staff changes related to major donors.
- Management continued to cut the costs of holding field based events and expanded its third-party community events program that generally do not involve the costs paid by the Organization to pay for fundraising.
- Management scheduled grant payments to enable researchers to receive funding on time but at a pace that better suits the Organization's cash flow.
- In 2017, the Organization has attracted new board members that are adding to the organizational capacity to raise new revenue across fundraising streams.

13. RECLASSIFICATION

Certain amounts in the 2015 consolidated financial statements have been reclassified to conform with the 2016 presentation.