



# National Brain Tumor Society

**AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**

Contents  
December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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, Crosser, Fenning & Co., P.C.*

Westborough, Massachusetts  
May 11, 2018

**NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**Consolidated Statements of Financial Position  
December 31, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current Assets:		
Cash and cash equivalents	\$ 2,407,896	\$ 1,405,475
Current portion of pledges receivable	150,374	234,349
Short-term investments	105,059	102,147
Prepaid expenses and other assets	203,481	84,306
Total current assets	2,866,810	1,826,277
Pledges Receivable, net of current portion, discount and allowance for doubtful accounts	23,003	144,079
Security Deposits	35,210	44,501
Investments	296,654	296,654
Property, Plant and Equipment, net	21,401	24,434
Total assets	<u>\$ 3,243,078</u>	<u>\$ 2,335,945</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 135,671	\$ 223,001
Accrued expenses	146,966	150,971
Research grants payable	1,640,000	1,599,374
Deferred revenue	9,598	85,448
Total current liabilities	1,932,235	2,058,794
Deferred Rent	108,382	109,887
Total liabilities	<u>2,040,617</u>	<u>2,168,681</u>
Net Assets:		
Unrestricted	597,136	(534,380)
Temporarily restricted	308,671	404,990
Permanently restricted	296,654	296,654
Total net assets	<u>1,202,461</u>	<u>167,264</u>
Total liabilities and net assets	<u>\$ 3,243,078</u>	<u>\$ 2,335,945</u>

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

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**NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**

 Consolidated Statements of Activities and Changes in Net Assets  
 For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenue:</b>								
Fundraising and special events	\$ 6,294,970	\$ 249,356	\$ -	\$ 6,544,326	\$ 6,311,208	\$ 700,831	\$ -	\$ 7,012,039
Grants and contributions	1,733,347	1,004,184	-	2,737,531	1,300,168	1,157,567	-	2,457,735
Bequests	967,922	-	-	967,922	266,788	-	-	266,788
Donated goods and services	158,990	-	-	158,990	208,986	-	-	208,986
Interest and dividends	14,594	3,344	-	17,938	17,081	5,707	-	22,788
Net assets released from restrictions	1,353,203	(1,353,203)	-	-	2,820,329	(2,820,329)	-	-
<b>Total operating revenue</b>	<b>10,523,026</b>	<b>(96,319)</b>	<b>-</b>	<b>10,426,707</b>	<b>10,924,560</b>	<b>(956,224)</b>	<b>-</b>	<b>9,968,336</b>
<b>Operating Expenses:</b>								
Program	7,571,085	-	-	7,571,085	7,118,027	-	-	7,118,027
Fundraising	1,342,976	-	-	1,342,976	1,543,816	-	-	1,543,816
General and administrative	480,833	-	-	480,833	478,796	-	-	478,796
<b>Total operating expenses</b>	<b>9,394,894</b>	<b>-</b>	<b>-</b>	<b>9,394,894</b>	<b>9,140,639</b>	<b>-</b>	<b>-</b>	<b>9,140,639</b>
Changes in net assets from operations	1,128,132	(96,319)	-	1,031,813	1,783,921	(956,224)	-	827,697
<b>Non-Operating Gains:</b>								
Net gain on investments	3,384	-	-	3,384	19,816	-	-	19,816
Changes in net assets	1,131,516	(96,319)	-	1,035,197	1,803,737	(956,224)	-	847,513
<b>Net Assets:</b>								
Beginning of year	(534,380)	404,990	296,654	167,264	(2,338,117)	1,361,214	296,654	(680,249)
End of year	\$ 597,136	\$ 308,671	\$ 296,654	\$ 1,202,461	\$ (534,380)	\$ 404,990	\$ 296,654	\$ 167,264

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 1,035,197	\$ 847,513
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,439	45,888
Bad debt	65,125	5,000
Net realized and unrealized gain on investments	(5,384)	(22,228)
Change in discount on pledge receivables	(13,170)	-
Changes in operating assets and liabilities:		
Pledges receivable	153,096	151,587
Prepaid expenses and other assets	(119,175)	(25,051)
Security deposits	9,291	6,095
Accounts payable	(87,330)	(90,027)
Accrued expenses	(4,005)	(47,541)
Research grants payable	40,626	(1,136,895)
Deferred revenue	(75,850)	45,448
Accrued rent	(1,505)	3,783
	<u>1,010,355</u>	<u>(216,428)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	7,000	930,183
Purchases of investments and dividends reinvested	(4,528)	(125,393)
Acquisition of property, plant and equipment	(10,406)	(16,056)
	<u>(7,934)</u>	<u>788,734</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,002,421</b>	<b>572,306</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>1,405,475</u>	<u>833,169</u>
End of year	<u><u>\$ 2,407,896</u></u>	<u><u>\$ 1,405,475</u></u>

**NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2017

(With Summarized Comparative Totals for the Year Ended December 31, 2016)

	2017			2016	
	Program	Fundraising	General and Administrative	Total	Total
<b>Expenses:</b>					
Personnel:					
Salaries	\$ 1,639,974	\$ 759,532	\$ 124,876	\$ 2,524,382	\$ 2,378,319
Payroll taxes and fringe benefits	337,900	163,224	23,458	524,582	435,947
Total personnel	1,977,874	922,756	148,334	3,048,964	2,814,266
Grants:					
Research grants	2,626,368	-	-	2,626,368	2,264,482
Financial assistance	47,037	-	-	47,037	31,438
Total grants	2,673,405	-	-	2,673,405	2,295,920
Other:					
Special events	814,017	90,709	12,353	917,079	1,350,044
Professional services	461,530	89,389	114,105	665,024	685,120
Bank fees	302,384	71,356	-	373,740	368,762
Travel	198,197	51,175	41,997	291,369	292,621
Systems and technology	232,026	14,710	37,728	284,464	277,126
Occupancy	172,283	45,109	28,606	245,998	224,131
Merchandise	204,853	6,312	-	211,165	228,637
Donated goods and services	155,485	3,505	-	158,990	208,986
Advertising	136,824	651	-	137,475	84,075
Training and recruiting	82,212	16,774	2,093	101,079	33,208
Bad debt	-	-	65,125	65,125	5,000
Public relations	49,176	-	-	49,176	39,741
Office	22,531	11,123	10,246	43,900	41,908
Dues and subscriptions	38,039	3,850	171	42,060	37,444
Postage and shipping	24,759	10,198	506	35,463	72,716
Insurance	8,923	711	11,615	21,249	11,382
Website	9,247	4,648	518	14,413	20,859
Depreciation	6,720	-	6,719	13,439	45,888
Miscellaneous	600	-	717	1,317	2,805
Total other	2,919,806	420,220	332,499	3,672,525	4,030,453
Total expenses	\$ 7,571,085	\$ 1,342,976	\$ 480,833	\$ 9,394,894	\$ 9,140,639

**NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total</u>
<b>Expenses:</b>				
Personnel:				
Salaries	\$ 1,525,664	\$ 662,342	\$ 190,313	\$ 2,378,319
Payroll taxes and fringe benefits	281,841	122,026	32,080	435,947
Total personnel	<u>1,807,505</u>	<u>784,368</u>	<u>222,393</u>	<u>2,814,266</u>
Grants:				
Research grants	2,264,482	-	-	2,264,482
Financial assistance	31,438	-	-	31,438
Total grants	<u>2,295,920</u>	<u>-</u>	<u>-</u>	<u>2,295,920</u>
Other:				
Special events	1,080,035	267,095	2,914	1,350,044
Professional services	472,275	72,363	140,482	685,120
Bank fees	323,723	45,039	-	368,762
Travel	204,285	71,111	17,225	292,621
Systems and technology	256,046	8,478	12,602	277,126
Occupancy	157,305	41,187	25,639	224,131
Merchandise	91,516	137,121	-	228,637
Donated goods and services	162,170	46,816	-	208,986
Advertising	73,339	10,736	-	84,075
Training and recruiting	17,984	7,921	7,303	33,208
Bad debt	2,000	-	3,000	5,000
Public relations	38,523	1,218	-	39,741
Office	21,344	7,102	13,462	41,908
Dues and subscriptions	35,966	809	669	37,444
Postage and shipping	31,905	39,127	1,684	72,716
Insurance	4,553	300	6,529	11,382
Website	16,930	3,025	904	20,859
Depreciation	22,944	-	22,944	45,888
Miscellaneous	1,759	-	1,046	2,805
Total other	<u>3,014,602</u>	<u>759,448</u>	<u>256,403</u>	<u>4,030,453</u>
Total expenses	<u>\$ 7,118,027</u>	<u>\$ 1,543,816</u>	<u>\$ 478,796</u>	<u>\$ 9,140,639</u>



## **NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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### **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. NBTS advances its charitable mission through funding innovative medical research and patient care, and by informing patients and their care partners about state of the art treatment and health care. NBTS is headquartered in Newton, Massachusetts.

NBTS has two subsidiary corporations that it is the sole member of.

Cure GBM, LLC (Cure GBM) is a Delaware limited liability company organized on October 3, 2012, for the purpose of operating the Defeat GBM Research Collaborative, a multi-year initiative leveraging team science among world-class research institutes and fostering 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.

Pediatric Cancer Cure, LLC (PCC) is also a Delaware limited liability company organized on October 1, 2014, for the purpose of carrying out operating the Defeat Pediatric Brain Tumor Research Collaborative. It is a multi-year initiative leveraging team science among world-class research institutions and fostering collaboration in order to direct research related to pediatric brain tumors.

The accompanying consolidated financial statements include activity of Cure GBM and PCC for the years ended December 31, 2017 and 2016.

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 GBM 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.

##### **Change in Accounting Policy**

At December 31, 2016, deferred revenue consisted of donations and registration fees received in advance of events. In 2017, the Organization changed the policy so that registration fees received in advance of events are refundable and are considered to be earned when the event occurs. At December 31, 2017, deferred revenue consists solely of registration fees received in advance of events.

## NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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### 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.

The Organization is and may be named beneficiary of trusts and wills. The amounts to be received, if any, cannot be determined and are therefore not reflected in the accompanying consolidated financial statements until received. During 2017 and 2016, the Organization received bequests totaling approximately \$968,000 and \$267,000, respectively, which are shown as bequests in the accompanying consolidated statements of activities and changes in net assets.

All other revenue is recorded when earned.

##### Deferred Revenue

Deferred revenue consists of event 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.

###### *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), as well as unspent appreciation on permanently restricted net assets (see Note 8).

###### *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.

## NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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>2017</u>	<u>2016</u>
Less than one year	\$ 150,374	\$ 234,349
One to five years	<u>33,333</u>	<u>167,579</u>
	183,707	401,928
Less - discount	330	13,500
Less - allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
	173,377	378,428
Less - current portion	<u>150,374</u>	<u>234,349</u>
	23,003	144,079
Long-term pledges receivable, net	<u>\$ 23,003</u>	<u>\$ 144,079</u>

Pledges receivable at December 31, 2017 and 2016, 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

##### 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 revenue and operating expenses in the accompanying consolidated statements of activities and changes in net assets. Non-operating gains include gains on investments.

## NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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, 2017 and 2016, were \$137,475 and \$84,075, 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, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Donated services	\$ 153,935	\$ 187,461
Donated raffle prizes	3,303	20,720
Donated food	<u>1,752</u>	<u>805</u>
	<u>\$ 158,990</u>	<u>\$ 208,986</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*.

##### 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.

##### 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, 2017 and 2016. 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, 2017 and 2016

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### 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. The first bond received matured during 2016 and the second bond received matured during 2017. Upon maturity, the Organization received the net payment from the bonds.

**NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

Subsequent events have been evaluated through May 11, 2018, 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 financial statements.

**2. PROPERTY, PLANT AND EQUIPMENT**

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

	<u>2017</u>	<u>2016</u>
Computers and computer software	\$ 629,550	\$ 619,143
Furniture and fixtures	198,505	198,505
Leasehold improvements	<u>136,109</u>	<u>135,666</u>
	964,164	953,314
Less - accumulated depreciation	<u>942,763</u>	<u>928,880</u>
Net property, plant and equipment	<u>\$ 21,401</u>	<u>\$ 24,434</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>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasuries	\$ -	\$ 179,857	\$ -	\$ 179,857
Equities	169,174	-	-	169,174
Corporate bonds	-	49,335	-	49,335
Cash and money markets	<u>3,347</u>	-	-	<u>3,347</u>
Total	<u>\$ 172,521</u>	<u>\$ 229,192</u>	<u>\$ -</u>	<u>\$ 401,713</u>
<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 164,820	\$ -	\$ -	\$ 164,820
Corporate bonds	-	98,178	-	98,178
Cash and money markets	130,803	-	-	130,803
Israel bonds	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total	<u>\$ 295,623</u>	<u>\$ 103,178</u>	<u>\$ -</u>	<u>\$ 398,801</u>

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

## NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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### 3. INVESTMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>
Unrealized gain on investments	\$ 3,620	\$ 23,962
Realized gain (loss) on investments	1,764	(1,734)
Investment fees	<u>(2,000)</u>	<u>(2,412)</u>
Net gain on investments	<u>\$ 3,384</u>	<u>\$ 19,816</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, 2017 and 2016, 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, 2017 and 2016:

	<u>Donor Restricted</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, December 31, 2015	\$ 9,743	\$ 296,654	\$ 306,397
Interest and dividends	<u>5,707</u>	<u>-</u>	<u>5,707</u>
Endowment net assets, December 31, 2016	15,450	296,654	312,104
Interest and dividends	<u>3,344</u>	<u>-</u>	<u>3,344</u>
Endowment net assets, December 31, 2017	<u>\$ 18,794</u>	<u>\$ 296,654</u>	<u>\$ 315,448</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.

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 2017 or 2016.

### 5. OPERATING LEASES

The Organization leases office space under an operating lease in Massachusetts which expires on December 31, 2023. This lease required monthly payments ranging from \$17,086 to \$18,133 for the years ended December 31, 2017 and 2016. The Massachusetts agreement has an option to extend the lease for one additional five-year term. The Organization had also leased office space in Arizona under a lease which expired in 2016 and was not renewed.

## NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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### 5. OPERATING LEASES (Continued)

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, 2017 and 2016, is reflected as deferred rent as a result of rent being recognized on the straight-line method.

Total rent expense incurred for the years ended December 31, 2017 and 2016, was \$245,998 and \$223,092, 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>
2018	\$ 222,829
2019	\$ 229,110
2020	\$ 235,392
2021	\$ 241,673
2022	\$ 247,955
Thereafter	\$ 41,500

The Organization has a sublease agreement with a third party to rent space through April 30, 2019. Monthly payments range from approximately \$1,800 to \$1,900 for the years ended December 31, 2017 and 2016. Income from this agreement totaled approximately \$20,000 and \$14,000 for the years ended December 31, 2017 and 2016, respectively, and is shown with grants and contributions on the accompanying consolidated statements of activities and changes in net assets.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 22,420
2019	\$ 7,552

### 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, 2017 and 2016, 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

During 2017, the Organization adopted a tax deferred pension plan under Section 401(k) of the Internal Revenue Service (IRS) (the 401(k) Plan) for all employees. The Organization can elect to make a discretionary matching contribution to the 401(k) plan. The Organization's contributions for the year ended December 31, 2017, totaled \$71,375, which is included in payroll taxes and fringe benefits in the accompanying 2017 consolidated statement of functional expenses.



## NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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### 7. EMPLOYMENT BENEFIT PLANS (Continued)

The Organization previously had a deferred pension plan under Section 403(b) of the IRC, which was terminated on March 6, 2017. The Organization contributed matching contributions up to 3% for contributing employees. The Organization's contributions for the year ended December 31, 2016, totaled \$48,591, which is included in payroll taxes and fringe benefits in the accompanying 2016 consolidated statement of functional expenses.

### 8. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Purpose restrictions	\$ 289,877	\$ 389,540
Unspent appreciation on endowment	<u>18,794</u>	<u>15,450</u>
	<u>\$ 308,671</u>	<u>\$ 404,990</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, 2017 and 2016, was \$296,654.

### 10. COMMITMENTS

The Organization has made additional funding commitments through December 31, 2017, 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, 2017 and 2016, the total balance of these planned grants was approximately \$2,250,000 and \$3,340,000, respectively.

### 11. RELATED PARTY TRANSACTIONS

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

***Cure GBM, LLC (Cure GBM)***, NBTS paid \$2,031,292 and \$2,171,584 in grant and legal expenses on behalf of Cure GBM for the years ended December 31, 2017 and 2016, respectively.

***Pediatric Cancer Cure, LLC (PCC)***, NBTS paid \$239,689 and \$198,641 in grant and legal expenses on behalf of PCC for the years ended December 31, 2017 and 2016, respectively.

One of the Organization's former Board members provided donated legal services to the Organization totaling \$117,274 for the year ended December 31, 2016. The Board member left the board during 2016. This amount is included in donated goods and services in the accompanying 2016 consolidated statement of activities and changes in net assets and functional expenses.

### 12. RECLASSIFICATION

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform with the 2017 presentation.