

HOPE FUNDS FOR CANCER RESEARCH
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016
WITH
INDEPENDENT AUDITORS' REPORTS

HOPE FUNDS FOR CANCER RESEARCH

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 & 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 & 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Hope Funds for Cancer Research
Newport, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of Hope Funds for Cancer Research (a non-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Funds for Cancer Research as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Golden, Gormly & Company, Ltd.

Golden, Gormly & Company, Ltd.
Wakefield, Rhode Island

July 19, 2018

HOPE FUNDS FOR CANCER RESEARCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

--A S S E T S--

	DECEMBER 31,	
	2017	2016
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 606,837	\$ 1,189,075
Investment Accounts	1,879,804	1,159,412
Current Portion of Contributions Receivable	50,000	55,500
Prepaid Expense	13,024	10,710
Total Current Assets	<u>2,549,665</u>	<u>2,414,697</u>
OTHER ASSETS		
Contributions Receivable	<u>0</u>	<u>50,000</u>
TOTAL ASSETS	<u>\$ 2,549,665</u>	<u>\$ 2,464,697</u>

--LIABILITIES AND NET ASSETS--

	DECEMBER 31,	
	2017	2016
CURRENT LIABILITIES:		
Current Portion of Fellowships Payable	\$ 368,500	\$ 477,278
LONG-TERM LIABILITIES:		
Fellowships Payable	<u>273,500</u>	<u>317,000</u>
Total Liabilities	<u>642,000</u>	<u>794,278</u>
NET ASSETS:		
Unrestricted	607,665	395,419
Temporarily Restricted	<u>1,300,000</u>	<u>1,275,000</u>
Total Net Assets	<u>1,907,665</u>	<u>1,670,419</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,549,665</u>	<u>\$ 2,464,697</u>

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

HOPE FUNDS FOR CANCER RESEARCH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	DECEMBER 31, 2017			December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT:						
Contributions:						
Annual Fund	\$ 139,649	\$ 300,000	\$ 439,649	\$ 330,298	\$ 675,000	\$ 1,005,298
In-Kind Contribution of Services	20,000		20,000	0	0	0
Special Events, Net	162,844	0	162,844	280,291	0	280,291
Investment Return	149,723	0	149,723	25,810	0	25,810
Net Assets Released from Restriction	275,000	(275,000)	0	126,000	(126,000)	0
Total Revenue & Support	747,216	25,000	\$ 772,216	762,399	549,000	\$ 1,311,399
EXPENSES:						
Program Services:						
Fellowships	354,009	0	354,009	385,000	0	385,000
Fellows - Program Costs at Events	45,000		45,000	171,857		171,857
Science, Medical & Research Information and Communication	50,678	0	50,678	56,989	0	56,989
Honoree Medals and Diplomas	5,259	0	5,259	6,708	0	6,708
Total Program Services	454,946	0	454,946	620,554	0	620,554
Fundraising Expenses	8,478	0	8,478	21,647	0	21,647
Management and General Expenses	71,546	0	71,546	40,829	0	40,829
Total Expenses	534,970	0	534,970	683,030	0	683,030
CHANGE IN NET ASSETS	212,246	25,000	237,246	79,369	549,000	628,369
NET ASSETS - BEGINNING OF YEAR	395,419	1,275,000	1,670,419	316,050	726,000	1,042,050
NET ASSETS - END OF YEAR	\$ 607,665	\$ 1,300,000	\$ 1,907,665	\$ 395,419	\$ 1,275,000	\$ 1,670,419

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

HOPE FUNDS FOR CANCER RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Science, Medical and Research Information, and Communication	Research	Total	Administration	Marketing and Development	Total	
Fellowship Program							
Fellowships - Program Costs at Events	\$ 45,000	\$ 354,009	\$ 354,009				\$ 354,009
Program Costs - Convening Event	16,150	-	16,150				45,000
Public Communication, Education	3,557		3,557				16,150
Postage, Supplies and Office	1,725		1,725				3,557
Fellowship Dinner	28,921		28,921				7,599
Professional Services	325		325				28,921
Awards to Honorees	5,259		5,259				23,145
Invitations							5,259
Administrative Services							7,411
Rent & Utilities				28,105	7,411	7,411	28,105
Insurance				14,220		14,220	14,220
				1,594		1,594	1,594
Total	\$ 100,937	\$ 354,009	\$ 454,946	\$ 71,546	\$ 8,478	\$ 80,024	\$ 534,970

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

HOPE FUNDS FOR CANCER RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Science, Medical and Research Information, and Communication	Research	Total	Administration	Marketing and Development	Total	
Fellowship Program							
Fellows - Program Costs at Events	\$ 70,000	\$ 385,000	\$ 385,000				\$ 385,000
Program Costs - Convening Event	101,857	-	101,857				70,000
Public Communication, Education	23,734		23,734				101,857
Postage, Supplies and Office	3,952		3,952				23,734
Fellows Dinner	17,598		17,598				18,421
Professional Services	11,705		11,705				17,598
Awards to Honorees	6,708		6,708				14,598
Invitations							6,708
Administrative Services							
Meeting Space				9,648	14,994	14,994	14,994
Rent & Utilities				6,728		6,728	9,648
Insurance				12,100		12,100	6,728
				1,644		1,644	12,100
							1,644
Total	\$ 235,554	\$ 385,000	\$ 620,554	\$ 40,829	\$ 21,647	\$ 62,476	\$ 683,030

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

HOPE FUNDS FOR CANCER RESEARCH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 237,246	\$ 628,369
Changes in Operating Assets and Liabilities:		
Contributions Receivable	55,500	(1,750)
Prepaid Expenses	(2,314)	55,068
Deferred Revenue	0	(29,500)
Fellowships Payable	<u>(152,278)</u>	<u>(367,500)</u>
Net Cash Provided From Operating Activities	138,154	284,687
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:		
Investment Accounts	<u>(720,392)</u>	<u>123,105</u>
INCREASE (DECREASE) IN CASH	(582,238)	407,792
CASH - BEGINNING OF YEAR	<u>1,189,075</u>	<u>781,283</u>
CASH - END OF YEAR	<u>\$ 606,837</u>	<u>\$ 1,189,075</u>

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

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Hope Funds for Cancer Research (the Hope Funds), a non-profit corporation, was organized under the General Laws of the State of Rhode Island on October 5, 2006 for the purpose of encouraging investigation of innovative cancer treatment, prevention and detection and to increase knowledge relating to cancer care, especially for the most difficult-to-treat cancers, through philanthropic support of scientific and medical research.

BASIS OF ACCOUNTING

The accompanying financial statements of the Hope Funds have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

INCOME TAXES

The Hope Funds qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code.

The Hope Funds is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Hope Funds is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Generally, the Hope Funds' tax returns remain open for three years for federal income tax examinations. Furthermore, the Hope Funds has determined it does not have any uncertain income tax positions that materially impact the financial statements or related disclosures.

FINANCIAL STATEMENT PRESENTATION

The Hope Funds is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DONATED SERVICES

Donated services are recognized as contributions in accordance with accounting standards at their fair market value, if the services: 1) create or enhance nonfinancial assets; or 2) require specialized skills and are performed by people with those skills or would otherwise be purchased by the Hope Funds. The Hope Funds receives donated services for legal, accounting, design, website development and event planning activities. Since the Hope Funds is an entirely volunteer organization, many individuals volunteer their time and perform a variety of professional and administrative tasks that greatly assist the Hope Funds perform its daily operations. The Hope Funds recognized an estimated \$20,000 of pro bono legal services during the year ended December 31, 2017.

ADVERTISING AND MARKETING COSTS

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2017 and 2016 totaled \$374 and \$6,045, respectively.

FAIR VALUE MEASUREMENTS

The Hope Funds applies generally accepted accounting principles for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on independent quoted market prices. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

FAIR VALUE MEASUREMENTS (CONTD)

to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hope Funds has the ability to access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

As of December 31, 2017, the Investment Account balance of \$1,879,804 was valued using Level 1 inputs. See Note 13 for additional information.

SUBSEQUENT EVENTS

The Hope Funds considers the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after the year-end through the date of the independent auditors' report, July 19, 2018.

RECLASSIFICATION

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

NOTE 2 – CASH AND CASH EQUIVALENTS

For the purposes of the accompanying statements of cash flows, the Hope Funds considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash and cash equivalents held in investment accounts. Funds are kept in institutions in regular checking and money market accounts. At December 31, 2017 the cash was invested as follows:

Checking Account with Bank of Newport	\$ 41,395
Money Market Account with Bank of Newport	<u>565,442</u>
Total Cash Balances	\$ <u>606,837</u>

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents donations pledged, but not received, by December 31, 2017. The Hope Funds believes the amount to be fully collectible.

The following are maturities of the contributions receivable for each of the next five years and in the aggregate:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ <u>50,000</u>

NOTE 4 – PREPAID EXPENSES

Prepaid expense represents the Hope Funds prepayment amounts for the following expense categories:

Prepaid policy premium for its property and liability policy	\$ 374
Prepaid deposits to secure Women in Science And Fellows Dinner for venue for 2018	12,000
Office rent security deposit	<u>650</u>
	\$ <u>13,024</u>

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 – FELLOWSHIPS PAYABLE

The Hope Funds conducts a postdoctoral competition each year and awards fellowships typically covering three-year periods. The Hope Funds accounts for payments to a grantee institution in respect of Fellowship Expense by recording such expense in the full amount at the time the commitment is made with the grantee institution. In 2017, the Hope Funds awarded 3 new three-year grants for a total commitment of \$481,500. Two previously awarded grants and one currently awarded grant were reduced during the year at the respective Fellow's request as to term or amount, lowering previous grant commitments by \$127,491. Due to the Hope Funds commitment to pay the fellowships in the near term no present value discounts have been applied. Awards payable as of December 31, 2017 total \$642,000 and are expected to be paid as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 368,500
2019	<u>273,500</u>
Total	\$ <u>642,000</u>

NOTE 6 – NET ASSETS – UNRESTRICTED & TEMPORARILY RESTRICTED

Net Assets - Unrestricted net assets represent net assets set aside by the Board of Trustees that represent support raised in advance to fund future fellowship awards. Future three-year Fellowships will be awarded to postdoctoral scientists who propose to work on highly innovative research projects that challenge the traditional paradigms of understanding the causes, mechanisms, progression, disease markers or risk factors of the most difficult to treat cancers.

Net Assets –Temporarily Restricted represent net assets which are donor restricted for named fellowships to be paid in future years. The balance of \$1,300,000 as of December 31, 2017 consisted of \$1,200,000 pledged and received towards the establishment of an endowed fellowship and \$100,000 received towards named fellowships that had not yet been disbursed.

NOTE 7 – REVENUE AND SUPPORT

The Hope Funds' major forms of support include direct contributions by individuals, corporations and foundations towards its Annual Fund and Special Events to raise funds for Fellowships as well as serving to honor luminaries in the field of cancer research, treatment and philanthropy.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 – SPECIAL EVENTS

Since its Inaugural Awards Gala in August 2007, Hope Funds has held its Awards Gala annually. In 2008, 2009, 2010 and 2012, the Awards Gala was held at Marble House in Newport, RI. In 2011, the Awards Gala was held at the Union Club in New York City. In 2013 and 2015, the Awards Gala was held at the Metropolitan Museum of Art in New York City. In 2014, the Awards Gala was held at the Breakers in Newport, RI and, in 2016 and 2017, the Awards Gala was held at the Elms in Newport, RI.

The Awards Gala event is held to celebrate the Hope Funds' commitment to encourage innovative cancer treatment and early-state detection for the most understudied and difficult to treat cancers. It also has provided a forum for scientific discussion and presentations, and raised funds for future Fellowships. The event annually brings together more than 120 trustees, advisors, scientists, physicians and friends of the Hope Funds for Cancer Research. In 2017, three distinguished individuals were honored for their collective achievements and commitments. The postdoctoral Fellows also were given an outstanding forum in which to present their research findings.

In 2017, the Hope Funds hosted a successful panel discussion in Newport, RI. Members of the panels included Hope Funds Fellows and senior cancer researchers. Guests from industry and academia met with scientists, physicians, business people and philanthropists. The panels are used to showcase the work and achievements of the Fellows, their Mentors and Advisors.

In 2017, the Hope Funds held a scientific convening in Newport, RI. Expenses to this convening were included in Programmatic Expense.

Gross proceeds from the Special Events in 2017 from sources including ticket prices, corporate support and individual donations totaled \$250,958. Total costs for these events amounted to \$133,114, or 53.0% of contributions to the Special Events. The Hope Funds has estimated \$45,000 of event expenses are related to these guests and reported separately as Program Services due to the costs being programmatic in nature, which reduces the costs for these events to \$88,114 or 35.1% of contributions to the Special Events.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 9 - SCIENCE, MEDICAL & RESEARCH INFORMATION AND COMMUNICATIONS

Expenses in this category amounted to \$50,678 in 2017 and \$56,989 in 2016. The Hope Funds expanded opportunities for its Fellows and Alumni-Fellows to present their research findings in public formats and to key-opinion-leaders in the field of cancer research.

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities as reported in the accompanying statements of cash flows for the years-ended December 31, 2017 and 2016, reflect no cash payment for interest or taxes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Hope Funds entered into a lease for office space in Newport, RI beginning March 1, 2017 for a period of 12 months. It is the intention of the Hope Funds to renew this lease under similar terms after the expiration of the current term. The minimum lease payments due under this lease is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ <u>2,060</u>

Total rent paid for property leases for the year ended December 31, 2017 was \$14,220.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Hope Funds maintains its cash balances at a single financial institution in amounts which, at times, may be in excess of federally insured limits. Management believes that the Hope Funds faces no significant risk of loss relating to a failure at this institution.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 13 – INVESTMENT ACCOUNTS

The Hope Funds maintains investment accounts that contain various securities, which are carried at their fair value for financial statement purposes (See Note 1). It is the Hope Funds' investment policy to purchase and hold to maturity in the near term highly rated securities to fund committed and future fellowships. The aggregate cost and fair values of investment securities held as of December 31, 2017 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 490,465	\$ 490,465	\$ 0
Corporate Bonds	325,184	330,268	(5,084)
ETF's and			
Closed-End Funds	442,927	380,288	62,639
Mutual Funds	<u>621,228</u>	<u>562,063</u>	<u>59,165</u>
	<u>\$ 1,879,804</u>	<u>\$ 1,763,084</u>	<u>\$ 116,720</u>

As portrayed above, concentration of the Hope Funds' investments in excess of 10% of the fair value of its portfolio included approximately 26% invested in Cash Equivalents, 24% in ETF's and Closed-End Funds, 33% in Mutual Funds and 17% in Corporate Bonds.

NOTE 14 – INVESTMENT RETURN

Components of investment return are as follows:

Investment Securities	
Interest, Dividends & Capital Gain	\$ 45,870
Realized Gains	2,226
Unrealized Gains	109,642
Management Fees	<u>(8,015)</u>
Total Investment Return	<u>\$ 149,723</u>