

HOPE FUNDS FOR CANCER RESEARCH
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
WITH
INDEPENDENT AUDITORS' REPORTS

HOPE FUNDS FOR CANCER RESEARCH

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4 & 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12

GOLDEN, GORMLY & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

55 CHERRY LANE, 2A - P O BOX 150 - WAKEFIELD, RHODE ISLAND 02880

ROBERT C. GOLDEN, CPA
BRIAN P. GORMLY, CPA

INDEPENDENT AUDITORS' REPORT

TELEPHONE (401) 783-1040
FAX (401) 782-1040

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Golden, Gormly & Company, Ltd.

Golden, Gormly & Company, Ltd
Wakefield, Rhode Island

January 30, 2019

HOPE FUNDS FOR CANCER RESEARCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

--ASSETS--		
	DECEMBER 31,	
	2018	2017
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 465,371	\$ 606,837
Investment Accounts	1,710,938	1,879,804
Contributions Receivable	308,750	50,000
Prepaid Expense	20,222	13,024
TOTAL ASSETS	\$ 2,505,281	\$ 2,549,665

--LIABILITIES AND NET ASSETS--		
	DECEMBER 31,	
	2018	2017
CURRENT LIABILITIES:		
Current Portion of Fellowships Payable	\$ 422,000	\$ 368,500
 LONG-TERM LIABILITIES:		
Fellowships Payable	166,500	273,500
Total Liabilities	588,500	642,000
 NET ASSETS:		
Unrestricted	416,781	607,665
Temporarily Restricted	1,500,000	1,300,000
Total Net Assets	1,916,781	1,907,665
TOTAL LIABILITIES AND NET ASSETS	\$ 2,505,281	\$ 2,549,665

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, 2018 AND 2017

	DECEMBER 31, 2018			DECEMBER 31, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT:						
Contributions:						
Annual Fund	\$ 216,324	\$ 300,000	\$ 516,324	\$ 139,649	\$ 300,000	\$ 439,649
In-Kind Contribution of Services	80,253		80,253	20,000		20,000
Special Events, Net	67,238	0	67,238	162,844	0	162,844
Investment Return	(100,388)	0	(100,388)	149,723	0	149,723
Net Assets Released from Restriction	100,000	(100,000)	0	275,000	(275,000)	0
Total Revenue & Support	363,427	200,000	\$ 563,427	747,216	25,000	\$ 772,216
EXPENSES:						
Program Services:						
Fellowships	369,745	0	369,745	354,009	0	354,009
Fellows - Program Costs at Events	40,000		40,000	45,000		45,000
Science, Medical & Research Information and Communication	26,458	0	26,458	50,678	0	50,678
Honoree Medals and Diplomas	0	0	0	5,259	0	5,259
Total Program Services	436,203	0	436,203	454,946	0	454,946
Fundraising Expenses	16,298	0	16,298	8,478	0	8,478
Management and General Expenses	101,810	0	101,810	71,546	0	71,546
Total Expenses	554,311	0	554,311	534,970	0	534,970
CHANGE IN NET ASSETS	(190,884)	200,000	9,116	212,246	25,000	237,246
NET ASSETS - BEGINNING OF YEAR	607,665	1,300,000	1,907,665	395,419	1,275,000	1,670,419
NET ASSETS - END OF YEAR	\$ 416,781	\$ 1,500,000	\$ 1,916,781	\$ 607,665	\$ 1,300,000	\$ 1,907,665

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, 2018

	PROGRAM SERVICES			SUPPORTING SERVICES		
	Science, Medical and Research Information, and Communication	Research	Total	Administration	Marketing and Development	Total
Fellowship Program	\$ 40,000	\$ 369,745	369,745			\$ 369,745
Fellows - Program Costs at Events	16,932	-	40,000			40,000
Public Communication, Education	5,951		16,932			16,932
Postage, Supplies and Office	3,575	\$	5,951	4,984	1,564	12,499
Professional Services			3,575	73,423		76,998
Invitations					6,548	6,548
Marketing					73,423	73,423
Administrative Services					4,290	4,290
Rent & Utilities					10,444	10,444
Insurance				9,440		9,440
				12,360		12,360
				1,603		1,603
Total	\$ 66,458	\$ 369,745	436,203	\$ 101,810	\$ 16,298	\$ 118,108
						\$ 554,311

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	\$ 45,000	\$ 354,009	\$ 354,009				\$ 354,009
Fellows - Program Costs at Events	16,150	-	16,150				45,000
Program Costs - Convening Event	3,557		3,557				16,150
Public Communication, Education	1,725		1,725				3,557
Postage, Supplies and Office	28,921		28,921	4,807	1,067	5,874	7,599
Fellows Dinner	325		325				28,921
Professional Services	5,259		5,259	22,820		22,820	23,145
Awards to Honorees							5,259
Invitations					7,411	7,411	7,411
Administrative Services				28,105		28,105	28,105
Rent & Utilities				14,220		14,220	14,220
Insurance				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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 9,116	\$ 237,246
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(258,750)	55,500
Prepaid Expenses	(7,198)	(2,314)
Fellowships Payable	(53,500)	(152,278)
Net Cash Provided From (Used By) Operating Activities	(310,332)	138,154
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:		
Transfers from/to Investment Account	67,429	(571,352)
Investment Return from Investment Account	101,437	(149,040)
Net Cash Provided From (Used By) Investing Activities	168,866	(720,392)
INCREASE (DECREASE) IN CASH	(141,466)	(582,238)
CASH - BEGINNING OF YEAR	606,837	1,189,075
CASH - END OF YEAR	\$ 465,371	\$ 606,837

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

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Hope Funds for Cancer Research (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 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

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

Hope Funds is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Hope Funds is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Generally, Hope Funds' tax returns remain open for three years for federal income tax examinations. Furthermore, 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

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

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.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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 Hope Funds. Hope Funds receives donated services for legal, marketing, accounting, design, website development and event planning activities. Since Hope Funds is an entirely volunteer organization, many individuals volunteer their time and perform a variety of professional and administrative tasks that greatly assist Hope Funds perform its daily operations. Hope Funds recognized \$70,253 of pro bono legal services from the law firm of Morgan Lewis & Bockius and \$10,000 of pro bono communication services from the social media company Facebook, during the year ended December 31, 2018. Additionally, Hope Funds recognized an estimated \$20,000 of pro bono legal services during the year ended December 31, 2017. The pro bono legal services include many important administrative tasks and opinions relating to organizational and committee functions including preparation and oversight of policies and procedures, agreements and governance applications.

ADVERTISING AND MARKETING COSTS

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2018 and 2017 totaled \$10,444 and \$374, respectively.

FAIR VALUE MEASUREMENTS

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 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 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, 2018, the Investment Accounts balance of \$1,710,938 was valued using Level 1 inputs. See Note 13 for additional information.

SUBSEQUENT EVENTS

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, January 30, 2019.

RECLASSIFICATION

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

HOPE FUNDS FOR CANCER RESEARCH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

NOTE 2 – CASH AND CASH EQUIVALENTS

For the purposes of the accompanying statements of cash flows, 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, 2018 the cash was invested as follows:

Checking Account with Bank of Newport	\$ 74,185
Money Market Account with Bank of Newport	<u>391,186</u>
Total Cash Balances	<u>\$ 465,371</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents donations pledged, but not received, by December 31, 2018. This amount includes a \$300,000 pledge towards the establishment of a named fellowship that was received on January 16, 2019. Hope Funds believes the remaining balance is fully collectible in 2019.

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>
2019	<u>\$ 308,750</u>

NOTE 4 – PREPAID EXPENSES

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

Prepaid deposits to secure Science Meeting, Gala and Fellows Dinner venue for 2019	\$ 18,124
Prepaid Supplies for Gala	1,074
Office rent security deposit	<u>650</u>
	<u>\$ 20,222</u>

HOPE FUNDS FOR CANCER RESEARCH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

NOTE 5 – FELLOWSHIPS PAYABLE

Hope Funds conducts a postdoctoral competition each year and awards fellowships typically covering three-year periods. 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 2018, Hope Funds awarded 3 new three-year grants for a total commitment of \$481,500. One previously awarded grant was reduced during the year at the Fellow's request as to term or amount, lowering previous grant commitments by \$109,000. Due to Hope Funds commitment to pay the fellowships in the near term no present value discounts have been applied. Awards payable as of December 31, 2018 total \$588,500 are expected to be paid as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 422,000
2020	<u>166,500</u>
Total	\$ <u>588,500</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 \$1,500,000 as of December 31, 2018 consisted of \$1,500,000 received towards the establishment of a named fellowship that had not yet been disbursed.

NOTE 7 – REVENUE AND SUPPORT

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.

NOTE 8 – SPECIAL EVENTS

Since its Inaugural Awards Gala in August 2007, Hope Funds has held its Awards Galas and Fellows Dinners. The Awards Gala event and annual Fellows Dinner is held to celebrate 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 trustees, advisors, scientists, physicians and friends of Hope Funds for Cancer Research. In 2018, there was no Gala, but a Fellows Dinner and Science Meeting were held. The postdoctoral Fellows were given an outstanding forum in which to present their research findings.

In 2018, Hope Funds hosted a successful panel discussion in New York City. Members of the panels included Hope Funds Fellows and senior cancer researchers. Guests from industry and academia met with scientists, physicians, business people and

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 – SPECIAL EVENTS (CONTD)

philanthropists. The panels are used to showcase the work and achievements of the Fellows, their Mentors and Advisors

Gross proceeds from the Special Events in 2018 from sources including ticket prices, corporate support and individual donations totaled \$117,750. Total costs for these events amounted to \$50,512 or 42.9% of contributions to the Special Events

NOTE 9 - SCIENCE, MEDICAL & RESEARCH INFORMATION AND COMMUNICATIONS

Expenses in this category amounted to \$66,458 in 2018 and \$95,678 in 2017. 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, 2018 and 2017, reflect no cash payment for interest or taxes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Hope Funds entered into a lease for office space in Newport, RI beginning March 1, 2018 for a period of 12 months. It is the intention of 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</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ <u>2,100</u>

Total rent paid for property leases for the year ended December 31, 2018 was \$10,500

NOTE 12 – CONCENTRATION OF CREDIT RISK

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 Hope Funds faces no significant risk of loss relating to a failure at this institution. The amount in excess of federally insured limits was \$211,702 as of December 31, 2018

NOTE 13 – INVESTMENT ACCOUNTS

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 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, 2018 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 188,653	\$ 188,653	\$ 0
Corporate Bonds	305,616	311,584	(5,968)
ETF's and Closed-End Funds	519,212	510,966	8,246
Mutual Funds	<u>697,457</u>	<u>737,526</u>	<u>(40,069)</u>
	<u>\$ 1,710,938</u>	<u>\$ 1,748,729</u>	<u>\$ (37,791)</u>

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 – INVESTMENT ACCOUNTS (CONTD)

As portrayed above, concentration of Hope Funds' investments in excess of 10% of the fair value of its portfolio included approximately 11% invested in Cash Equivalents, 30% in ETF's and Closed-End Funds, 41% in Mutual Funds and 18% in Corporate Bonds.

NOTE 14 – INVESTMENT RETURN

Components of investment return are as follows:

Investment Securities	
Interest, Dividends & Capital Gain	\$ 70,861
Realized Gains	75
Unrealized Losses	(160,586)
Management Fees	<u>(10,738)</u>
Total Investment Return	\$ <u>(100,388)</u>