

**HOPE FUNDS FOR CANCER RESEARCH
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

HOPE FUNDS FOR CANCER RESEARCH

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GOLDEN, GORMLY & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

46 HOLLEY STREET - P O BOX 150 - WAKEFIELD, RHODE ISLAND 02880

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Hope Funds for Cancer Research (A non-profit corporation) as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

Golden, Gormly & Company, Ltd.

Golden, Gormly & Company, Ltd.

February 13, 2015

HOPE FUNDS FOR CANCER RESEARCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

--ASSETS--

	DECEMBER 31,	
	2014	2013
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 746,274	\$ 984,519
Investment Accounts	942,727	0
Current Portion of Contributions Receivable	176,550	56,750
Prepaid Expense	60,401	192,550
Total Current Assets	<u>1,925,952</u>	<u>1,233,819</u>
OTHER ASSETS		
Contributions Receivable	<u>100,000</u>	<u>50,000</u>
 TOTAL ASSETS	 <u>\$ 2,025,952</u>	 <u>\$ 1,283,819</u>

--LIABILITIES AND NET ASSETS--

	DECEMBER 31,	
	2014	2013
CURRENT LIABILITIES:		
Current Portion of Fellowships Payable	\$ 365,975	\$ 291,838
Deferred Revenue	7,800	0
Total Current Liabilities	<u>373,775</u>	<u>291,838</u>
LONG-TERM LIABILITIES:		
Fellowships Payable	<u>479,722</u>	<u>273,197</u>
Total Liabilities	<u>853,497</u>	<u>565,035</u>
NET ASSETS:		
Unrestricted	703,795	599,784
Temporarily Restricted	468,660	119,000
Total Net Assets	<u>1,172,455</u>	<u>718,784</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,025,952</u>	 <u>\$ 1,283,819</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, 2014 AND 2013

	DECEMBER 31, 2014			December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE & SUPPORT:						
Contributions:						
Annual Fund	\$ 615,801	\$ 396,160	\$ 1,011,961	\$ 263,119	\$ 119,000	\$ 382,119
Special Events, Net	194,667	0	194,667	303,695	0	303,695
Investment Return	(276)	0	(276)	2,431	0	2,431
Net Assets Released from Restriction	46,500	(46,500)	0	0	0	0
Total Revenue & Support	<u>856,692</u>	<u>349,660</u>	<u>\$ 1,206,352</u>	<u>569,245</u>	<u>119,000</u>	<u>688,245</u>
EXPENSES:						
Program Services:						
Fellowships	622,577	0	622,577	426,510	0	426,510
Science, Medical & Research Information and Communication	62,425	0	62,425	51,493	0	51,493
Honoree Medals and Diplomas	10,640	0	10,640	4,978	0	4,978
Total Program Services	<u>695,642</u>	<u>0</u>	<u>695,642</u>	<u>482,981</u>	<u>0</u>	<u>482,981</u>
Fundraising Expenses	20,041	0	20,041	23,522	0	23,522
Management and General Expenses	36,998	0	36,998	32,282	0	32,282
Total Expenses	<u>752,681</u>	<u>0</u>	<u>752,681</u>	<u>538,785</u>	<u>0</u>	<u>538,785</u>
CHANGE IN NET ASSETS	104,011	349,660	453,671	30,460	119,000	149,460
NET ASSETS - BEGINNING OF YEAR	599,784	119,000	718,784	569,324	0	569,324
NET ASSETS - END OF YEAR	<u>\$ 703,795</u>	<u>\$ 468,660</u>	<u>\$ 1,172,455</u>	<u>\$ 599,784</u>	<u>\$ 119,000</u>	<u>\$ 718,784</u>

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 453,671	\$ 149,460
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(169,800)	(105,500)
Prepaid Expenses	132,149	(113,233)
Deferred Revenue	7,800	(21,900)
Fellowships Payable	<u>280,662</u>	<u>67,535</u>
Net Cash Provided From (Used By) Operating Activities	704,482	(23,638)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Accounts	<u>(942,727)</u>	<u>0</u>
DECREASE IN CASH	(238,245)	(23,638)
CASH - BEGINNING OF YEAR	<u>984,519</u>	<u>1,008,157</u>
CASH - END OF YEAR	<u>\$ 746,274</u>	<u>\$ 984,519</u>

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

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 the provisions of ASC 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Hope Funds' general tax-exempt status, ASC 740-10-05 has not had, and is not anticipated to have, a material impact on the Hope Funds' financial statements. The Hope Funds believes it is no longer subject to income tax examinations for years prior to December 31, 2011.

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. In addition, the Hope Funds is required to present a statement of cash flows.

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.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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. No amounts have been reflected in the accompanying financial statements since these donated services do not meet the criteria for recognition.

ADVERTISING AND MARKETING COSTS

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2014 and 2013 totaled \$6,998 and \$8,991, 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 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).

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

FAIR VALUE MEASUREMENTS (CONTD)

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 Mission 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, 2014, the Investment Accounts balance of \$942,727 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, February 16, 2015.

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, 2014 the cash was invested as follows:

Checking Account with Bank of Newport	\$ 35,134
Savings Account with Bank of Newport	311,771
Savings Account with Washington Trust	249,540
Checking Account with J P Morgan Chase	10,084
Savings Account with J P Morgan Chase	<u>139,745</u>
Total Cash Balances	\$ <u>746,274</u>

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents donations pledged but not received by December 31, 2014. The Hope Funds believes the amount to be fully collectible in 2015 and 2016.

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>
2015	\$ 176,550
2016	<u>100,000</u>
Total	<u>\$ 276,550</u>

NOTE 4 – PREPAID EXPENSE & DEFERRED REVENUE

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

Prepaid policy premium for its property and liability policy	\$ 375
Prepaid deposits to secure Gala venue for 2015	25,000
Prepaid deposits to secure Gala suppliers and catering for 2015	2,825
Prepaid deposits to secure Special Event venue for 2015	14,610
Prepaid deposits to secure Special Event suppliers and catering for 2015	1,860
Prepaid deposits for Fellows Gala lodging for 2015	6,021
Prepaid deposits for Fellows Program Events for 2015	5,060
Prepaid deposit for 2015 honoree medals	4,000
Office rent security deposit	<u>650</u>
	<u>\$ 60,401</u>

Deferred Revenue represents amounts received in 2014 towards the 2015 Panel Event

Deferred revenue for 2015 Event Tickets	\$ <u>7,800</u>
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HOPE FUNDS FOR CANCER RESEARCH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014 AND 2013

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 full at the time the commitment is made with the grantee institution. In 2014 the Hope Funds awarded six new three-year grants for total commitments of \$927,000. Two previously awarded grants and one currently awarded grant were reduced during the year at the Fellows' requests as to term or amount, lowering previous grant commitments by \$302,933. Awards payable as of December 31, 2014 total \$845,697 are expected to be paid as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2015	\$ 365,975
2016	309,222
2017	<u>170,500</u>
Total	\$ <u>845,697</u>

NOTE 6 – NET ASSETS – UNRESTRICTED & TEMPORARILY RESTRICTED

Net Assets – Unrestricted 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 donor restricted for named Fellowships to be paid in future years. The balance of \$468,660 as of December 31, 2014 consists of \$300,000 pledged and received towards the establishment of an endowed fellowship and \$168,660 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, 2014 AND 2013

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 2014 the Awards Gala was held at the Metropolitan Museum of Art in New York City; and in 2015 the Awards Gala will be held at the Breakers in Newport, RI.

The Awards Gala event is held to celebrate the Hope Funds' commitment to encourage innovative cancer treatment and early-stage detection for the most understudied and difficult to treat cancers. It also provided a forum for scientific discussion and presentations, and raises funds for future Fellowships. The event brought together more than 180 trustees, advisors, scientists, physicians and friends of the Hope Funds for Cancer Research. In 2014 five distinguished individuals were honored for their collective achievements and commitments. The postdoctoral Fellows were given an outstanding forum in which to present their research findings.

In 2014 the Hope Funds hosted successful panel discussions in Newport, RI and in New York City. Members of the panels included Hope Funds Fellows and a senior cancer researcher. Guests from industry and academia met with scientists, physicians, business people and philanthropists. This was a memorable opportunity to showcase the work and achievements of the Fellows, their Mentors and Advisors.

Gross proceeds from the Special Events in 2014 from sources including ticket prices, corporate support and individual donations totaled \$447,875. Total costs for these events amounted to \$253,207, or 56.5% of contributions to the Special Events. However, it is estimated that 34% of the total guests at these events were Fellows, Mentors and Honors, who do not pay. While this is not currently charged to Programming, we estimate that more than \$86,000 of the total costs is programmatic in nature, which reduces the costs for these events to \$167,207 or 37.3% of contributions to the Special Events.

NOTE 9 - SCIENCE, MEDICAL & RESEARCH INFORMATION AND COMMUNICATIONS

Expenses in this category amounted to \$51,493 in 2013 and \$62,425 in 2014. 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.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, reflect no cash payment for interest or taxes.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Hope Funds entered a lease for office space in Newport, Rhode Island beginning December 1, 2014 for a period of 12 months and entered a lease for field office space in New York City beginning June 1, 2014 for 12 months. The minimum lease payments due under these leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2015	<u>\$7,205</u>

Total rent paid for the above property leases of the year ended December 31, 2014 was \$7,097.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Hope Funds maintains its cash balances at several financial institutions 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 of one of the financial institutions.

HOPE FUNDS FOR CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 2014 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 76,806	\$ 76,806	\$ 0
Certificates of Deposit	38,252	38,440	(188)
US Treasuries	399,992	399,989	3
Corporate Bonds	<u>427,677</u>	<u>429,482</u>	<u>(1,805)</u>
	<u>\$ 942,727</u>	<u>\$ 944,717</u>	<u>\$ (1,990)</u>

As portrayed above, concentration of the Hope Funds' investments in excess of 10% of the fair value of its portfolio included approximately 43% invested in US treasuries and 45% invested in corporate bonds.

NOTE 14 – INVESTMENT RETURN

Components of investment return are as follows:

Investment Securities	
- Unrealized Losses	\$ (1,990)
Interest and Dividends	<u>1,714</u>
Total Net Investment Return	<u>\$ (276)</u>