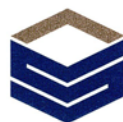


**SOLVING KIDS' CANCER, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016



**SOBEL & CO. LLC**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **SOLVING KIDS' CANCER, INC.**

DECEMBER 31, 2017 AND 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Solving Kids' Cancer, Inc.  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Solving Kids' Cancer, Inc. ("Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 we have 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 Solving Kids' Cancer, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized, Comparative Information**

We have previously audited the Organization's December 31, 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report, dated October 19, 2017. In our opinion, the summarized, comparative information presented herein, as of and for the year ended December 31, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

*Sobel & Co, LLC*

Certified Public Accountants

Livingston, New Jersey  
June 14, 2018

**SOLVING KIDS' CANCER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

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	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,640,311	\$ 2,407,551
Pledges receivable	36,720	10,720
Prepaid expenses	26,777	24,064
Security deposits	3,585	3,585
Fixed assets, net	5,396	33,819
	<hr/>	<hr/>
Total Assets	\$ 2,712,789	\$ 2,479,739
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 17,181	\$ 12,695
	<hr/>	<hr/>
<b>NET ASSETS:</b>		
Unrestricted	1,599,877	1,680,427
Temporarily restricted	1,095,731	786,617
Total Net Assets	2,695,608	2,467,044
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 2,712,789	\$ 2,479,739
	<hr/>	<hr/>

**SOLVING KIDS' CANCER, INC.****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2017

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>2016 Total</b>
<b>CONTRIBUTIONS AND OTHER SUPPORT:</b>				
Individual contributions	\$ 30,113	\$ 595,369	\$ 625,482	\$ 82,477
Corporate contributions	55,036	66,300	121,336	232,992
Foundation contributions	73,073	570,552	643,625	365,860
Special events, net of expense	231,147	366,555	597,702	482,335
Interest income	4,719	-	4,719	4,821
	<u>394,088</u>	<u>1,598,776</u>	<u>1,992,864</u>	<u>1,168,485</u>
Net assets released from restrictions	1,289,662	(1,289,662)	-	-
Total Contributions and Other Support	<u>1,683,750</u>	<u>309,114</u>	<u>1,992,864</u>	<u>1,168,485</u>
<b>EXPENSES:</b>				
Program services	1,392,025	-	1,392,025	760,800
Management and general	246,740	-	246,740	267,625
Fundraising	125,535	-	125,535	184,921
Total Expenses	<u>1,764,300</u>	<u>-</u>	<u>1,764,300</u>	<u>1,213,346</u>
CHANGES IN NET ASSETS	(80,550)	309,114	228,564	(44,861)
<b>NET ASSETS:</b>				
Beginning of year	<u>1,680,427</u>	<u>786,617</u>	<u>2,467,044</u>	<u>2,511,905</u>
End of year	<u>\$ 1,599,877</u>	<u>\$ 1,095,731</u>	<u>\$ 2,695,608</u>	<u>\$ 2,467,044</u>

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

**SOLVING KIDS' CANCER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017

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

	Program Services	Support Services		Total Program and Support Services	2016 Total
		Management and General	Fundraising		
Salaries	\$ 182,233	\$ 47,312	\$ 90,737	\$ 320,282	\$ 370,110
Employee benefits	24,907	3,394	17,491	45,792	64,387
Payroll taxes	12,547	10,296	8,916	31,759	23,273
Total salaries and related expenses	219,687	61,002	117,144	397,833	457,770
Funding grants	1,032,334	-	-	1,032,334	456,965
Professional fees	96,476	24,063	-	120,539	100,640
Accounting and audit fees	-	30,811	-	30,811	40,777
Web design, hosting and advertising	-	5,538	4,777	10,315	5,079
Printing and shipping	-	-	2,764	2,764	2,707
Rent	-	48,364	-	48,364	62,792
Travel	9,860	836	159	10,855	10,351
Meals and entertainment	811	524	89	1,424	858
Conference, conventions and meetings	3,117	95	-	3,212	-
Bank and payroll processing fees	14,740	2,395	-	17,135	2,395
Donations	15,000	-	-	15,000	-
Merchant fees	-	15,030	-	15,030	12,930
Insurance	-	5,133	-	5,133	4,287
Office expense	-	8,428	-	8,428	8,280
Database expense	-	1,929	-	1,929	2,088
Miscellaneous	-	6,359	602	6,961	6,858
Dues and subscriptions	-	2,909	-	2,909	1,458
Total before depreciation	1,392,025	213,416	125,535	1,730,976	1,176,235
Depreciation	-	33,324	-	33,324	37,111
Total Functional Expenses	\$ 1,392,025	\$ 246,740	\$ 125,535	\$ 1,764,300	\$ 1,213,346

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

**SOLVING KIDS' CANCER, INC.**  
**STATEMENTS OF CASH FLOWS**

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	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS PROVIDED BY:</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 228,564	\$ (44,861)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	33,324	37,111
Changes in certain assets and liabilities:		
Pledges receivable	(26,000)	66,280
Prepaid expenses	(2,713)	(5,221)
Security deposits	-	2,850
Accounts payable and accrued expenses	4,486	(42,723)
Net Cash Provided by Operating Activities	<u>237,661</u>	<u>13,436</u>
 <u>INVESTING ACTIVITIES:</u>		
Purchase of equipment	<u>(4,901)</u>	<u>(6,383)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 232,760	 7,053
 CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>2,407,551</u>	<u>2,400,498</u>
 End of year	 <u>\$ 2,640,311</u>	 <u>\$ 2,407,551</u>



**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 1 - NATURE OF ACTIVITIES:**

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Solving Kids' Cancer, Inc. ("Organization") is a not-for-profit corporation based in New York, New York. The Organization finds, funds and advocates for breakthrough treatment options to cure children with the most fatal pediatric cancers. The Organization works to improve survival of the deadliest childhood cancers by accelerating the delivery of breakthrough treatments through clinical research, influencing research priorities and empowering families. The Organization extends their reach globally through driving collaboration to foster the development of innovative clinical trials that bring more effective treatments to children in the U.S., Europe and beyond.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Summarized, Comparative Information:***

The financial statements include certain prior-year summarized, comparative information in total, but not by net asset class or by functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

***Financial Statement Presentation:***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Financial Statement Presentation: (continued)***

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization does not have permanently restricted net assets.

***Cash and Cash Equivalents:***

For financial statement purposes, certificates of deposit and money market funds with an original maturity of three months or less are considered to be cash equivalents.

***Pledges Receivable:***

Pledges receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible receivables to operations when determined to be uncollectible based on historical trends. As of December 31, 2017 and 2016, an allowance for uncollectible receivables was deemed not necessary.

***Property and Equipment:***

Purchased office equipment is capitalized at cost. The costs of additions and betterments are capitalized when they exceed \$1,000 and have a useful life over 3-7 years. Donated assets are capitalized at the fair value at time of receipt. During the years ended December 31, 2017 and 2016, no assets were donated. Property and equipment are depreciated using the straight-line method over their estimated useful lives. In the absence of donor-imposed restrictions on the use of the asset, gifts or long-lived assets are reported as unrestricted support.

***Contributions and Revenue Recognition:***

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Donated Goods and Services:***

The Organization can receive donated goods and services that create or enhance nonfinancial assets and allow the Organization to fulfill its mission. Donations of tangible assets are recognized at fair market value when received. Donated services are recognized if the services received either create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donations of goods or services at December 31, 2017 and 2016.

***Income Taxes:***

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2017 and 2016. At December 31, 2017 and 2016, there are no significant income tax uncertainties.

***Functional Expenses:***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

***Use of Estimates:***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Financial Statement Reporting for Nonprofits:***

The Financial Accounting Standards Board issued an accounting pronouncement *Presentation of Financial Statements of Not-for-Profit Entities* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designation, composition of net assets with donor restrictions and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for all annual reporting periods beginning after December 15, 2017. It will be effective for the year ended December 31, 2018. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

***Subsequent Events:***

The Organization has evaluated its subsequent events and transactions occurring after December 31, 2017 through June 14, 2018, the date the financial statements were available to be issued.

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**NOTE 3 - FIXED ASSETS:**

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Fixed assets are comprised of the following:

	<b>Useful Life</b>	<b>December 31,</b>	
		<b>2017</b>	<b>2016</b>
Computers and equipment	3 years	\$ 5,160	\$ 5,160
Video documentation	3-7 years	63,479	63,479
Web development	3 years	157,613	152,713
Total gross fixed assets		226,252	221,352
Less: Accumulated depreciation		220,856	187,533
Fixed Assets, Net		<u>\$ 5,396</u>	<u>\$ 33,819</u>

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 4 - GRANT PROGRAMS:**

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The Organization aids in the development of therapies to make survivorship possible for kids with the deadliest childhood cancers.

At December 31, 2017, the Organization funded the following programs:

1. <i>Boston Children's Hospital</i> RNA single sequencing of ETMR Brain Tumors for Children	\$ 333,334
2. <i>University of California San Francisco/Regents</i> Phase I Clinical Trial of Oncolytic Measles Virus for Children with Medulloblastoma and AT/RT	45,000
3. <i>Memorial Sloan Kettering Cancer Center</i> Phase I Clinical Trial of Immunotherapy APX-005M for Pediatric High-grade Brain Tumors	120,000
4. <i>Children's Hospital of Philadelphia</i> Optimizing nanoparticle SN38 for clinical trials of pediatric solid tumors and CNS tumors	210,000
5. <i>Duke University Cancer Institute/Duke Children's Hospital</i> Phase I/B Clinical Trial of Oncolytic Virotherapy using attenuated Polio virus (PVS-RIPO) for children with high-grade glioma brain tumors	74,000
6. <i>Children's Hospital Los Angeles</i> Phases I/II Clinical Trial of 1/2 study of <i>lorlatinib</i> , a small molecule inhibitor of ALK/ROS1, for children with ALK-driven relapsed or refractory neuroblastoma	<u>250,000</u>
	<u>\$ 1,032,334</u>

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 4 - GRANT PROGRAMS: (Continued)**

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At December 31, 2016, the Organization funded the following programs:

1. <i>Memorial Sloan Kettering Cancer Center</i>	
Phase Ib/II Clinical trial of nivolumab monotherapy in combination with ipilimumab in children with high-grade brain/CNS tumors	\$ 20,000
2. <i>Baylor College of Medicine/Texas Children's Hospital</i>	
Phase I Clinical Trial of Tumor Antigen-Specific Cytotox T-Lymphocytes (CTLs) immunotherapy for children with neuroblastoma and sarcomas (TACTASOM-PEDS)	80,000
3. <i>Baylor College of Medicine/Texas Children's Hospital</i>	
Phase I Clinical Trial of Tumor Antigen-Specific Cytotox T-Lymphocytes (CTLs) immunotherapy for children with neuroblastoma and sarcomas (TACTASOM-PEDS)	50,000
4. <i>Duke University</i>	
Phase Ib Clinical Trial - Oncolytic Virotherapy using attenuated polio virus (PVS-RIPO) for children with high-grade glioma brain tumors	64,408
5. <i>Children's Hospital of Philadelphia</i>	
Phase I Clinical Trial of transiently RNA modified GD2 T-cell CAR immunotherapy for children with neuroblastoma	176,557
6. <i>Children's Hospital Los Angeles</i>	
Phases I/II Clinical Trial of 1/2 study of <i>lorlatinib</i> , a small molecule inhibitor of ALK/ROS1, for children with ALK-driven relapsed or refractory neuroblastoma	<u>66,000</u>
	<u>\$ 456,965</u>

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 5 - CONCENTRATIONS OF RISK:**

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Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintained its cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may be in excess of federally insured limits.

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES:**

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The Organization conducts all of its operations from a leased facility under an operating lease. The lease expires on March 31, 2022. The Organization is also responsible for a percentage of the increase in operating costs.

Lease payments due under the above lease are as follows:

<b><u>Year Ending</u></b> <b><u>December 31,</u></b>	
2018	\$ 48,364
2019	48,364
2020	48,364
2021	48,364
2022	12,091
	<u>\$ 205,547</u>

**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:**

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At December 31, 2017, the following temporarily restricted net assets are available for the following purposes:

Phase I trial of magnetic resonance-guided, high-intensity focused ultrasound for neuroblastoma	\$ 55,000
Phase I Clinical Trial of RNA-transfected, costimulated activated autologous T cells	56,385
Intra-arterial chemotherapy for the treatment of progressive diffuse intrinsic pontine gliomas	33,989
Phase I Clinical Trial - Oncolytic Virotherapy	1,592
Phase I study of 131-1 mIBG, Nivolumab and ch14.18/CHO in relapsed/refractory neuroblastoma	249,982
High-risk Brain Tumor pipeline project	<u>698,783</u>
Total Temporarily Restricted Net Assets	<u>\$1,095,731</u>

At December 31, 2016, the following temporarily restricted net assets are available for the following purposes:

Phase I trial of magnetic resonance-guided, high-intensity focused ultrasound for neuroblastoma	\$ 55,000
Phase I trial of Nivolumab for brain tumors	117,500
Phase I Clinical Trial - Oncolytic Virotherapy	75,592
Phase I/II Clinical Trial of 1/2 study of <i>lorlatinib</i>	219,000
High-risk Brain Tumor pipeline project	<u>319,525</u>
Total Temporarily Restricted Net Assets	<u>\$ 786,617</u>

Net assets released from time and use restrictions, for the years ended December 31, 2017 and 2016, amounted to \$1,289,662 and \$411,358, respectively.



**SOLVING KIDS' CANCER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**NOTE 8 - SPECIAL EVENTS:**

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During the year ended December 31, 2017, special events consisted of the following:

<u>Event</u>	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Support</u>
Spring Celebration	<u>\$ 769,930</u>	<u>\$ 172,228</u>	<u>\$ 597,702</u>

During the year ended December 31, 2016, special events consisted of the following:

<u>Event</u>	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Support</u>
Spring Celebration	<u>\$ 642,568</u>	<u>\$ 160,233</u>	<u>\$ 482,335</u>