



Hope & Heroes
Columbia University Medical Center

***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2017 AND 2016***

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Hope and Heroes Children's Cancer Fund
New York, New York

We have audited the accompanying financial statements of Hope and Heroes Children's Cancer Fund, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 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 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 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 Hope and Heroes Children's Cancer Fund as of June 30, 2017 and 2016, 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.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

March 19, 2018

HOPE AND HEROES CHILDREN'S CANCER FUND

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2017</u>	<u>2016</u>
Cash	\$ 1,038,674	\$ 457,648
Pledges receivable, net	1,660,743	181,215
Investments	16,931	
Prepaid expenses	<u>77,055</u>	<u>75,080</u>
Total assets	<u>\$ 2,793,403</u>	<u>\$ 713,943</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	<u>\$ 91,933</u>	<u>\$ 81,526</u>
Total liabilities	<u>91,933</u>	<u>81,526</u>
Net assets:		
Unrestricted	1,029,953	612,417
Temporarily restricted	<u>1,671,517</u>	<u>20,000</u>
Total net assets	<u>2,701,470</u>	<u>632,417</u>
Total liabilities and net assets	<u>\$ 2,793,403</u>	<u>\$ 713,943</u>

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

HOPE AND HEROES CHILDREN'S CANCER FUND

STATEMENTS OF ACTIVITIES

	Year ended June 30, 2017		Year ended June 30, 2016	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support and revenue:				
Contribution income	\$ 2,025,451	\$ 2,060,307	\$ 2,731,061	\$ 2,731,061
Special events, net of direct costs of \$588,467 and \$574,763 in 2017 and 2016, respectively	874,477	874,477	687,444	687,444
Other income	4,997	4,997	748	748
Investment income	3,030	3,030		
Net assets released from restriction	408,790	(408,790)	22,544	(22,544)
Total support and revenue	3,316,745	1,651,517	3,441,797	(22,544)
Expenses:				
Program services:				
Grants	2,212,096		2,803,606	
Supporting services:				
Management and general	525,965	525,965	365,178	365,178
Fundraising	161,148	161,148	195,185	195,185
Total supporting services	687,113	687,113	560,363	560,363
Total expenses	2,899,209	2,899,209	3,363,969	3,363,969
Change in net assets	417,536	1,651,517	77,828	(22,544)
Net assets, beginning of year	612,417	20,000	534,589	42,544
Net assets, end of year	\$ 1,029,953	\$ 1,671,517	\$ 612,417	\$ 20,000
				\$ 632,417

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

HOPE AND HEROES CHILDREN'S CANCER FUND

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,069,053	\$ 55,284
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Discount on pledges receivable	16,997	(456)
Donation of stock	(13,901)	
Unrealized gain on investments	(2,932)	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(1,496,525)	43,993
Prepaid expenses	(1,975)	(41,155)
Increase (decrease) in:		
Accounts payable and accrued expenses	10,407	51,192
Deferred event income		(10,000)
Net cash provided by operating activities	<u>581,124</u>	<u>98,858</u>
Cash flows from investing activities:		
Purchases of investments	<u>(98)</u>	
Net cash used by investing activities	<u>(98)</u>	
Net increase in cash	581,026	98,858
Cash, beginning of year	<u>457,648</u>	<u>358,790</u>
Cash, end of year	<u>\$ 1,038,674</u>	<u>\$ 457,648</u>

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

HOPE AND HEROES CHILDREN'S CANCER FUND

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2017 and 2016

	Program services		Management and general		Supporting services expenses		Total supporting services		Total program and supporting services expenses	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Grants	\$ 2,120,548	\$ 2,680,941	\$	\$	\$	\$	\$	\$	\$ 2,120,548	\$ 2,680,941
Personnel and related services	52,722	80,977	287,287	174,284	139,438	176,731	426,725	351,015	479,447	431,992
Professional fees			120,374	81,578			120,374	81,578	120,374	81,578
Occupancy	6,587	6,587	1,647	1,647			1,647	1,647	8,234	8,234
Advertising and promotion			50,658	43,059	21,710	18,454	72,368	61,513	72,368	61,513
Office expense			63,087	49,472			63,087	49,472	63,087	49,472
Postage and delivery			2,273	10,211			2,273	10,211	2,273	10,211
Travel and entertainment									32,239	35,101
Miscellaneous expenses	32,239	35,101	639	4,927			639	4,927	639	4,927
Total expenses	\$ 2,212,096	\$ 2,803,606	\$ 525,965	\$ 365,178	\$ 161,148	\$ 195,185	\$ 687,113	\$ 560,363	\$ 2,899,209	\$ 3,363,969

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

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. Summary of significant accounting policies

This summary of significant accounting policies of Hope and Heroes Children's Cancer Fund (the Fund) is presented to assist in understanding the Fund's financial statements. The financial statements and notes are representations of the Fund's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in *FASB Accounting Standard Codification* (the Codification) and have been consistently applied in the preparation of the financial statements.

History of the Fund

Hope and Heroes Children's Cancer Fund was organized in 2002 under the laws of New York State to solicit funds for the benefit of, and to provide financial resources for, program support and development, patient services, education and research at the Division of Pediatric Hematology, Oncology & Stem Cell Transplantation at Columbia University Medical Center.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when incurred.

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Fund and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are 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 Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. Generally, the donors of these assets permit the Fund to use all or part of the income earned on any related investments for general or specific purposes. The Fund had no permanently restricted net assets at June 30, 2017 and 2016.

Cash

For purposes of the statement of cash flows, cash consists primarily of demand deposit accounts.

Contributions

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional pledges are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same accounting period the contribution is received, the Fund reports the support as unrestricted.

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. Summary of significant accounting policies (continued)

Pledges receivable

Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Fund provides for losses on pledges receivable using the allowance method. The allowance is based on management's knowledge of which individual receivables are likely to not be collected. Management has determined that an allowance was not necessary for the fiscal years ended June 30, 2017 and 2016.

Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investments that are donated are measured at the fair market value at the date of acquisition. Unrealized gains and losses are reported in the changes in net assets on the statement of activities based on the existence or absence of donor imposed restrictions.

Non-cash contributions

The Fund receives donated services from specialized providers that create or enhance non-financial assets and allow the Fund to fulfill its mission. Donated specialized services have been recognized in the financial statements. These donated services require professional skills, and would typically need to be purchased if not provided by donation (see Note 8).

The Fund also receives donated services from various volunteers to carry out organizational activities. The value of these services has not been reflected on the accompanying financial statements since no objective basis is available to measure the value of such services.

Estimates

The preparation of financial statements 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 period. Accordingly, actual results could differ from those estimates.

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. Summary of significant accounting policies (continued)

Functional expenses allocation

The cost of providing program and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The Fund is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been made.

Uncertain tax positions

As of June 30, 2017, management believes that based on evaluation of the Fund's tax positions that any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Fund's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2013 are closed.

Reclassifications

Certain amounts from the 2016 financial statements have been reclassified to conform to the 2017 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash, pledges receivable, and investments. The Fund maintains its cash in demand deposit accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Concentrations of credit risk with respect to pledges receivables is reduced due to the fact that the receivables are from prominent individuals and/or corporations with a history of philanthropic support.

The Fund invests in various investment securities. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

3. Pledges receivable, net

Pledges receivable are due as follows at June 30:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 1,215,293	\$ 181,215
One to five years	<u>462,447</u>	
	1,677,740	181,215
Less unamortized discount on pledges	<u>16,997</u>	
	<u>\$ 1,660,743</u>	<u>\$ 181,215</u>

The difference between the amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible amounts. Pledges receivable due in more than one year are reflected at the present value of estimated cash flows using a risk-free interest rate of approximately 1.89%.

4. Investments and fair value measurement

The Codification 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 and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Fund's perceived risk of that investment.

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

4. Investments and fair value measurement (continued)

Investment securities are carried at fair value and consist of the following at June 30, 2017:

	<u>Cost basis</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 98	\$ 98
Equities	<u>8,514</u>	<u>16,833</u>
	<u>\$ 8,612</u>	<u>\$ 16,931</u>

There were no investment securities at June 30, 2016.

The classification of the Fund's investment securities at fair value are as follows at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 98	\$	\$	\$ 98
Equities	<u>16,833</u>	<u></u>	<u></u>	<u>16,833</u>
	<u>\$ 16,931</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,931</u>

The following schedule summarizes the investment return for the year ended June 30, 2017.

Dividend and interest income	\$ 98
Unrealized gain on investments	<u>2,932</u>
Investment income	<u>\$ 3,030</u>

5. Conditional pledges receivable

During fiscal year 2017, the Fund received multi-year conditional pledges of \$895,884. Payments are made on the condition that various research positions at Columbia University will be filled throughout the year. The Fund met the donor conditions and recognized \$520,884 as contribution income. Conditions on the remaining balance of \$375,000 have not been substantially met as of June 30, 2017 and, therefore, revenue has not been recognized on the remaining balance. This balance will be paid over a period of three years if conditions are met.

During fiscal year 2016, the Fund received conditional pledges of \$321,323. Payments were paid on the condition that various research positions at Columbia University were filled throughout the year. The Fund met the donor conditions and recognized \$321,323 as contribution income during the year ended June 30, 2016.

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

6. Temporarily restricted net assets/net assets released from restrictions

Temporarily restricted net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$	\$ 20,000
Stem Cell Research	1,250,000	
Integrative Therapies	130,500	
Palliative Care Program - Psycho-Social Program	66,974	
Arts in Medicine	54,055	
Titi Fund - Patients' Greatest Needs	162,609	
Solid Tumor	2,425	
Beads of Courage	982	
Others	<u>3,972</u>	
	<u>\$1,671,517</u>	<u>\$ 20,000</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time. The net assets released from restriction for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 20,000	\$ 22,544
Integrative Therapies	151,500	
Palliative Care Program - Psycho-Social Program	191,910	
Arts in Medicine	945	
Titi Fund - Patients' Greatest Needs	37,391	
Solid Tumor	6,190	
Beads of Courage	554	
Others	<u>300</u>	
	<u>\$ 408,790</u>	<u>\$ 22,544</u>

Restricted contributions in the amount of \$335,875 and \$962,572 for the years ended June 30, 2017 and 2016, respectively, were received and related restrictions were met within the year.

HOPE AND HEROES CHILDREN'S CANCER FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

7. Special events

The Fund sponsors several events each year intended to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	2017		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Golf	\$ 534,476	\$ 262,109	\$ 272,367
Walk	198,929	112,892	86,037
Brown Dinner	636,558	128,480	508,078
Other events	92,981	84,986	7,995
	<u>\$ 1,462,944</u>	<u>\$ 588,467</u>	<u>\$ 874,477</u>

	2016		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Golf	\$ 452,835	\$ 308,126	\$ 144,709
Walk	313,453	103,537	209,916
Brown Dinner	387,082	124,775	262,307
Other events	108,837	38,325	70,512
	<u>\$ 1,262,207</u>	<u>\$ 574,763</u>	<u>\$ 687,444</u>

8. Donated services and use of facilities

Columbia University Medical Center provides employee services and the Division of Pediatric Hematology, Oncology & Stem Cell Transplantation provides office space to the Fund for which no fee is charged. Employee services amounted to \$263,608 and \$357,412 for the years ended June 30, 2017 and 2016, respectively. Donated office space amounted to \$8,234 and \$8,234 for the years ended June 30, 2017 and 2016, respectively. These donated services are reflected as contribution income and as salaries and employee benefits and occupancy in the accompanying statement of activities and changes in net assets.

9. Significant sources of support

For the year ended June 30, 2017, two donors accounted for approximately 53% of total contribution income and one donor accounted for 74% of the pledges receivable balance. For the year ended June 30, 2016, one donor accounted for approximately 50% of total contribution income.

10. Subsequent events

Subsequent events have been evaluated through March 19, 2018, which is the date financial statements were available to be issued.