



**THE FIBROLAMELLAR CANCER
FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

THE FIBROLAMELLAR CANCER FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Fibrolamellar Cancer Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Fibrolamellar Cancer Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, 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.

Auditor's 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 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 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 The Fibrolamellar Cancer Foundation as of December 31, 2016, 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.



Iselin, New Jersey
November 7, 2017

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Financial Position December 31, 2016

ASSETS

Cash and cash equivalents	\$	1,528,194
Investments		2,088,073
Other receivables		76,500

Total assets \$ 3,692,767

LIABILITIES

Accounts payable and accrued expenses	\$	23,831
Grants payable		1,699,814

Total liabilities 1,723,645

NET ASSETS

Unrestricted 1,969,122

\$ 3,692,767

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Activities Year Ended December 31, 2016

Revenues:

Contributions	\$ 1,529,179
Golf outing	119,490
Investment income	93,033
In-kind contributions	31,725
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Total revenues	1,773,427
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Expenses:

Grants for research	1,869,478
Compensation	208,881
Golf outing	128,569
Research	48,781
Accounting and administrative services	31,725
Miscellaneous	31,141
Program costs	29,167
Outside services	23,500
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Total expenses	2,371,242
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Change in unrestricted net assets (597,815)

Unrestricted net assets, beginning of year 2,566,937

Unrestricted net assets, end of year \$ 1,969,122

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Functional Expenses Year Ended December 31, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants for research	\$ 1,869,478	\$ -	\$ -	\$ 1,869,478
Compensation	-	-	208,881	208,881
Golf outing	-	128,569	-	128,569
Research	48,781	-	-	48,781
Accounting and administrative services	-	-	31,725	31,725
Miscellaneous	-	6,847	24,294	31,141
Program costs	29,167	-	-	29,167
Outside services	7,000	-	16,500	23,500
	<u>\$ 1,954,426</u>	<u>\$ 135,416</u>	<u>\$ 281,400</u>	<u>\$ 2,371,242</u>

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Cash Flows Year Ended December 31, 2016

Cash flows from operating activities:

Change in unrestricted net assets	\$ (597,815)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Unrealized gain on investments	(88,073)
Changes in:	
Other receivables	(75,250)
Accounts payable and accrued expenses	(14,757)
Grants payable	968,953
	<hr/>
Net cash provided by operating activities	193,058
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Cash flows from investing activities:

Purchase of investments	(2,000,000)
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Net cash used in investing activities	(2,000,000)
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Net change in cash and cash equivalents

(1,806,942)

Cash and cash equivalents, beginning of year

3,335,136

Cash and cash equivalents, end of year

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\$ 1,528,194**

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Fibrolamellar Cancer Foundation (the "Foundation"), is a not-for-profit organization, organized under the laws of the State of Delaware. The Foundation was established to raise awareness and research funds for fibrolamellar hepatocellular carcinoma, a rare form of liver cancer that is primarily seen in teens and young adults. Currently, there are no viable treatment options other than liver resection surgery. The Foundation's mission is to find a cure and reliable treatment options for those diagnosed with this rare disease as well as enhance communication among healthcare professionals and patients.

The Foundation devotes all of its time to fundraising and grant-making and building collaborative relationships to support these causes. The activities of the Foundation began in June 2009, and are conducted by the Board of Directors and officers of the Foundation.

[2] Basis of presentation:

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Foundation accounts for and reports on its net assets based upon the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose donor-imposed restrictions as to a specific purpose or time have not been met. Permanently restricted net assets are those with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity. Unrestricted net assets include all resources that are not subject to donor-imposed restrictions. At December 31, 2016, there were no temporarily restricted or permanently restricted net assets.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 income and expenses during the reporting period. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with initial maturity dates of three months or less.

[5] Investments:

The Foundation accounts for its investments in accordance with relevant authoritative guidance, which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Investments are reflected on the statement of financial position at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in investment income reported in the statement of activities. Fair value is the estimated amount 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.

Investments consist of investments in limited partnerships that are non-marketable. The net asset value provided by the partnerships' management is used as a practical expedient measurement of fair value. This method may produce a fair value estimate that may not be indicative of the net realizable value or reflective of future values. Furthermore, although management believes this valuation method is appropriate and consistent with the practices of other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

Investments received as contributions, if any, are initially recorded at fair market value at the date of receipt. Realized and unrealized gains and losses are included in changes in unrestricted net assets in the statement of activities.

Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Foundation's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

[6] Contributions:

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions of assets other than cash are recorded at fair value at the date of the donation.

In 2016, the Foundation's golf outing generated revenue of \$922,750 of which \$119,490 was reported as golf outing revenue and the remaining reported as contributions. Related expenses of the golf outing totaled \$128,569.

[7] Income taxes:

The Internal Revenue Service ("IRS") has determined that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from tax on related income pursuant to Section 501(a) of the IRC. The Foundation is classified as a public charity. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability or disclosure in the financial statements. The Foundation recognizes accrued interest and penalties associated with uncertain tax provisions, if any. There were no income tax-related interest and penalties recorded for the year ended December 31, 2016.

[8] Donated services:

Donated services are recognized as revenues and expenses if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

[9] New accounting pronouncements:

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources and e) presentation of operating cash flows. The new standard will be effective for annual reporting periods issued for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements and related disclosures.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Subsequent events:

The Foundation evaluated events through November 7, 2017, which was the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

The Foundation invested \$2,000,000 in limited partnerships that were valued at \$2,088,073 as of December 31, 2016.

Investment income includes net unrealized gains on investments of \$88,073, and interest and other investment income of \$4,960.

NOTE C - FAIR VALUE MEASUREMENTS

Limited partnership interests measured at net asset value ("NAV") totaled \$2,088,073. The Foundation's investments are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and therefore are not classified in the fair value hierarchy.

Information regarding the nature and risk of certain investments reported at NAV as of December 31, 2016 is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited Partnerships:				
Floating Rate Funds (a)	\$ 1,579,404	\$ -	Monthly	45 Days
Credit Opportunities Fund (b)	508,669	-	Quarterly	60 Days (subject to one-year lock from November 1, 2016)

(a) Floating rate fund invests primarily in senior secured and second lien bank loans and bonds.

(b) Credit Opportunities Fund investments primarily in corporate credit related assets.

NOTE D - TRANSACTION WITH RELATED PARTIES

Certain directors and officers of the Foundation are officers and employees of Stone Point Capital LLC ("SPC"). Additionally, SPC provides several services at no cost to the Foundation, which includes accounting and communications. The estimated value of these services amounted to \$31,725 which was recorded as both an in-kind contribution and accounting and administrative services expense in the statement of activities. In 2016, donations from the Charles A. and Marna Davis Foundation and from SPC covered all administrative costs of the Foundation so that 100% of donations received from others are available to fund research.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2016

NOTE E - GRANTS PAYABLE

Grants payable are recognized in the accompanying financial statements at the time of Foundation approval. The Foundation's grants payable at December 31, 2016 are payable as follows:

	<u>2016</u>
Less than one year	\$ 1,341,722
One to five years	<u>358,092</u>
Total grants payable	<u>\$ 1,699,814</u>

The amount of the discount to net present value of the grants payable in more than one year was immaterial to the financial statements. For the year ended December 31, 2016 grants paid totaled \$960,825, and the grants returned totaled \$60,000.

NOTE F - PROGRAM COSTS

The Foundation sponsors events to help facilitate communication within the fibrolamellar community. Such events included a patient and family gathering. Program costs totaled \$29,167 in 2016.