

Kids Beating Cancer, Inc.

Financial Statements

As of July 31, 2016

KIDS BEATING CANCER, INC.

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Independent Auditors' Report

To the Board of Directors
Kids Beating Cancer, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Kids Beating Cancer, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 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 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 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 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 Kids Beating Cancer, Inc. as of July 31, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP
June 20, 2017

KIDS BEATING CANCER, INC.

STATEMENT OF FINANCIAL POSITION

July 31, 2016

ASSETS

Current Assets	
Cash	\$ 56,002
Prepaid expenses	10,000
Inventory	<u>28,500</u>
Total Current Assets	<u>94,502</u>
Fixed Assets	
Office furniture and equipment (net of accumulated depreciation of \$44,276)	<u>2,761</u>
TOTAL ASSETS	<u><u>\$ 97,263</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses	\$ 30,882
Unearned revenue	<u>22,750</u>
Total Current Liabilities	<u>53,632</u>
Net Assets	
Unrestricted	43,631
Temporarily restricted	-
Permanently restricted	<u>-</u>
Total Net Assets	<u>43,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 97,263</u></u>

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

KIDS BEATING CANCER, INC.

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2016

Unrestricted Net Assets

Revenues

Private grants	\$ 81,937
Contributions	991,305
Special events, net of expenses of \$224,171	218,166
Interest income	120
Net assets released from restrictions	-
Total Unrestricted Revenues	<u>1,291,528</u>

Expenses

Program Services

Children's support programs	276,305
Community outreach and education	743,163
Transplant center programs	395,324
Total Program Services	<u>1,414,792</u>

Support Services

General and administration	24,252
Fundraising	11,346
Total Support Services	<u>35,598</u>

Total Expenses **1,450,390**

Increase (Decrease) in Unrestricted Net Assets **(158,862)**

Temporarily Restricted Net Assets

Restricted donations	-
Net Assets Released from Restrictions	-
Increase in Restricted Net Assets	<u>-</u>

Total Increase in Net Assets **(158,862)**

Net Assets at Beginning of Year **202,493**

Net Assets at End of Year **\$ 43,631**

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

KIDS BEATING CANCER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended July 31, 2016

Cash Flows from Operating Activities	
Increase (decrease) in net assets	\$ (158,862)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,841
Change in assets and liabilities:	
(Increase) decrease in prepaid expenses	12,379
(Increase) decrease in inventory	-
Increase (decrease) in accounts payable and accrued expenses	15,597
Increase (decrease) in unearned revenue	<u>(596)</u>
Net Cash Provided by (Used by) Operating Activities	<u>(129,641)</u>
Cash Flows from Investing Activities	
Purchase of equipment	<u>-</u>
Net Cash Used in Investing Activities	<u>-</u>
Cash Flows from Financing Activities	
Net Cash Used in Financing Activities	<u>-</u>
Net Increase (decrease) in Cash	(129,641)
Cash at Beginning of Year	<u>185,643</u>
Cash at End of Year	<u><u>\$ 56,002</u></u>
Cash paid during the year for:	
Interest	\$ 2,933
Income taxes	-

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

KIDS BEATING CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Kids Beating Cancer, Inc., (KBC) is a nonprofit, nonstock Florida Corporation formed in 1992. Kids Beating Cancer is advancing cures through the science of cutting edge treatment at the Kids Beating Cancer Pediatric Transplant Center while providing resources and support for children with cancer, leukemia, and related life-threatening diseases throughout the treatment process.

Kids Beating Cancer pays for the transplant testing and donor identification, costs never covered by Medicaid and only partially covered by insurance. By removing these financial barriers any child can have access to bone marrow and stem cell transplantation, at the Kids Beating Cancer Pediatric Transplant Center, the best—and only hope for a cure.

Some of the program services of Kids Beating Cancer, Inc. are as follows:

PEDIATRIC TRANSPLANT CENTER:

In 2011, in recognition of a one million dollar pledge to fund the unmet costs related to marrow or stem cell transplantation, Florida Hospital for Children, named the newly established and only Central Florida children’s transplant center, the Kids Beating Cancer Pediatric Transplant Center. Through KBC’s advocacy and support, Central Florida and beyond now has a place dedicated to the healing of children diagnosed with leukemia, cancer and 80 other malignant and non-malignant life threatening diseases. Since the original pledge, KBC has pledged an additional half million in 2014 and one million in 2017, to further enhance what has become the largest pediatric transplant program in the state of Florida.

KIDS BEATING CANCER PEDIATRIC TRANSPLANT CENTER PROGRAMS:

FUND THE MATCH Removes the financial barriers to care by KBC paying for the cost for children of low-income families to receive pre-transplant testing and donor identification, costs of \$10,000 to \$50,000 per child to access bone marrow and stem cell transplantation costs that are never covered by Medicaid. “Fund the Match”, allows any child access to a cure!

MY ROOM The transplant process is a lengthy period away from the familiarity and comfort of home, and children become very homesick. Themed hospital rooms put a child’s distinct fingerprint on the place they will be calling home for many months.

KIDS BEATING CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
Continued:

Program services-continued:

MEALS FOR FAMILIES KBC meal vouchers are given daily to families of children in the Kids Beating Cancer Pediatric Transplant Center. Due to prolonged treatment period, with complete disruption of usual home life, even the simple necessities such as providing daily meals can be an overwhelming family stress and expense. KBC meal vouchers address this simple but significant family burden.

OUTREACH AND EDUCATION:

KBC is a trusted resource for the community and beyond on bone marrow transplantation and cellular therapy. Through outreach and education, KBC is a leader in raising awareness on the process of and the need for pediatric transplantation.

CHILDREN'S SUPPORT SERVICES:

In order to remove the burdens placed on families, KBC's "Karing 4 Kids" program enhances and inspires children and their families from diagnosis and throughout treatment with fun activities, family parties, toys, and KBC's trademark Teddy Bear, "Bunky."

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents.

Inventory – Inventory is stated at the lower of cost or market, and consists of medical supplies and toys.

Fixed Assets - Fixed assets are recorded at cost or, if donated, at the fair market value on the date of receipt. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets. Depreciation expense for the year ended July 31, 2016 was \$1,841.

KIDS BEATING CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2016

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
Continued:

Income Taxes - The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The Association's income tax returns are subject to review and examination by federal authorities. The Association is not aware of any activities that would jeopardize its tax exempt status. The tax returns for the fiscal years ended from 2012 to 2015 are open to examination by federal authorities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CONTRIBUTED MATERIALS, FACILITIES AND SERVICES

Significant services and materials were donated to the Organization by various individuals and organizations. Donated services and materials totaled \$1,001,221. Additionally, other donated services were received in 2016 but were not recognized in the financial statements because they did not meet the criteria for recognition under Generally Accepted Accounting Principles. A substantial number of volunteers and companies, however, have donated their time, space, materials, and staff in the organization's fundraising campaigns, office space, printing and postage, transplant and recruitment center programs, and marrow and stem cell recruitment drives, as well the salary of the executive director.

NOTE 3 – CONTRIBUTIONS

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions.

KIDS BEATING CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2016

NOTE 3 – CONTRIBUTIONS – Continued

Promise To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. Occasionally, the Organization's cash balances may exceed the insured amount.

NOTE 5 – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 20, 2017, the date the financial statements were available to be issued.

NOTE 6 – COMMITMENT

In 2011 Kids Beating Cancer pledged to contribute \$1,000,000 to Florida Hospital for the Children's Pediatric Transplant program to fund the medical and hospital expenses not covered by insurance, Medicaid, or any other means for children diagnosed with one of 80 different life threatening diseases in need of a marrow or stem cell transplant as the best and only hope for a cure. This funding is restricted to medical expenses only, removing the \$10,000-\$50,000 financial barriers to care per patient, allowing access to treatment without delays, offering the best hope for a positive outcome for children transplanted at the Kids Beating Cancer Pediatric Transplant Center. The contribution is expected to be paid with equal payments of \$200,000 per calendar year. In March, 2014, an additional \$500,000 was pledged, with \$100,000 to be used to provide a pediatric transplant meal voucher program, and the remaining \$400,000 to be used to support the highest need, allowing children access to stem cell transplantation. In April, 2017, an additional one million

KIDS BEATING CANCER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2016

NOTE 6 – COMMITMENT – Continued

was pledged which shall be used to support the expansion of the Kids Beating Cancer Pediatric Transplant Center to meet its growing needs of treating children throughout the state of Florida and beyond.

To simplify payments, Kids Beating Cancer agrees to combine the two existing pledges with the continued annual payments of \$200,000 through the year 2025.

During the fiscal year ended July 31, 2016 a contribution of \$200,000 was made to the program.

Contributions payable by the Organization over the next five calendar years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 200,000
2018	200,000
2019	200,000
2020	200,000
2021	200,000
Thereafter	<u>800,000</u>
	<u>\$ 1,800,000</u>

KIDS BEATING CANCER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2016

	Program Services				Supporting Services			Total
	Children's Support Programs	Community Outreach & Education	Transplant Center Programs	Total	General & Administration	Fund Raising	Total	
Salaries and benefits	\$ 22,068	\$ -	\$ 43,060	\$ 65,128	\$ 554	\$ 278	\$ 832	\$ 65,960
Program expenses	246,616	739,871	341,288	1,327,775	-	-	-	1,327,775
Rent	-	-	-	-	8,193	4,097	12,290	12,290
Insurance	-	-	-	-	1,445	722	2,167	2,167
Office expenses	7,349	3,292	9,586	20,227	8,443	4,223	12,666	32,893
Professional fees	-	-	-	-	1,820	910	2,730	2,730
Meetings and Leadership	-	-	1,390	1,390	57	29	86	1,476
Taxes and licenses	-	-	-	-	217	108	325	325
Depreciation	272	-	-	272	1,569	-	1,569	1,841
Interest expense	-	-	-	-	1,955	978	2,933	2,933
Fundraising	-	-	-	-	-	-	-	-
Total	\$ 276,305	\$ 743,163	\$ 395,324	\$ 1,414,792	\$ 24,252	\$ 11,346	\$ 35,598	\$ 1,450,390

See Independent Auditors' Report
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