

CHILDREN'S CANCER RESEARCH FUND

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

CHILDREN'S CANCER RESEARCH FUND

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Cancer Research Fund
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Children's Cancer Research Fund as of June 30, 2011 and 2010, and the related statements of activities, functional expenses 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 audit 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. An audit also includes 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 Children's Cancer Research Fund as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota
September 7, 2011

Olsen Thielen & Co., Ltd.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FINANCIAL POSITION JUNE 30, 2011 AND 2010

ASSETS		
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,229,916	\$ 2,547,195
Pledges Receivable	403,095	421,748
Accrued Interest	8,873	10,037
Prepaid Expenses	417,569	116,494
Total Current Assets	<u>3,059,453</u>	<u>3,095,474</u>
OTHER ASSETS:		
Pledges Receivable, net	<u>402,953</u>	<u>160,051</u>
PROPERTY AND EQUIPMENT:		
Less Accumulated Depreciation	720,576	476,013
Net Property and Equipment	<u>403,259</u>	<u>275,277</u>
	<u>317,317</u>	<u>200,736</u>
INVESTMENTS	<u>3,116,169</u>	<u>2,665,273</u>
 TOTAL ASSETS	 <u>\$ 6,895,892</u>	 <u>\$ 6,121,534</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 175,375	\$ 166,966
Accrued Payroll	52,901	41,385
Other Accrued Liabilities	53,253	38,740
Unearned Event Revenue	124,300	130,560
Grants Payable	2,342,040	1,619,246
Total Current Liabilities	<u>2,747,869</u>	<u>1,996,897</u>
GRANTS PAYABLE, NET	<u>1,936,844</u>	<u>2,002,680</u>
NET ASSETS:		
Unrestricted	2,211,179	1,736,766
Temporarily Restricted	-	385,191
Total Net Assets	<u>2,211,179</u>	<u>2,121,957</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,895,892</u>	 <u>\$ 6,121,534</u>

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions:						
Operating	\$ 347,465	\$ 1,017,090	\$ 1,364,555	\$ 333,549	\$ 1,186,117	\$ 1,519,666
In-Kind	4,070,234	-	4,070,234	621,672	-	621,672
Direct Mail	5,671,917	-	5,671,917	5,766,422	-	5,766,422
Community Health Charities	93,111	-	93,111	108,582	-	108,582
Events:						
Proprietary	1,765,034	-	1,765,034	1,699,121	-	1,699,121
Third-Party	160,868	-	160,868	106,869	-	106,869
Direct Expense	(187,853)	-	(187,853)	(150,945)	-	(150,945)
Net Events	<u>1,738,049</u>	<u>-</u>	<u>1,738,049</u>	<u>1,655,045</u>	<u>-</u>	<u>1,655,045</u>
Total Contributions	11,920,776	1,017,090	12,937,866	8,485,270	1,186,117	9,671,387
Investment Income	559,347	-	559,347	306,270	-	306,270
Cause Marketing	137,553	-	137,553	153,658	-	153,658
Other	130,797	-	130,797	111,095	-	111,095
Net Assets Released From Restrictions:						
Satisfaction of Program Restrictions	<u>1,402,281</u>	<u>(1,402,281)</u>	<u>-</u>	<u>800,926</u>	<u>(800,926)</u>	<u>-</u>
Total Support and Revenue	<u>14,150,754</u>	<u>(385,191)</u>	<u>13,765,563</u>	<u>9,857,219</u>	<u>385,191</u>	<u>10,242,410</u>
EXPENSES:						
Program Services:						
Research and Education	10,716,832	-	10,716,832	6,966,246	-	6,966,246
Care Partners	159,320	-	159,320	205,880	-	205,880
Total Program Expenses	<u>10,876,152</u>	<u>-</u>	<u>10,876,152</u>	<u>7,172,126</u>	<u>-</u>	<u>7,172,126</u>
Supporting Services:						
Fundraising	2,456,940	-	2,456,940	2,597,819	-	2,597,819
Management and General	343,249	-	343,249	458,617	-	458,617
Total Support Expenses	<u>2,800,189</u>	<u>-</u>	<u>2,800,189</u>	<u>3,056,436</u>	<u>-</u>	<u>3,056,436</u>
Total Expenses	<u>13,676,341</u>	<u>-</u>	<u>13,676,341</u>	<u>10,228,562</u>	<u>-</u>	<u>10,228,562</u>
CHANGE IN NET ASSETS	474,413	(385,191)	89,222	(371,343)	385,191	13,848
NET ASSETS at Beginning of Year	<u>1,736,766</u>	<u>385,191</u>	<u>2,121,957</u>	<u>2,108,109</u>	<u>-</u>	<u>2,108,109</u>
NET ASSETS at End of Year	<u>\$ 2,211,179</u>	<u>\$ -</u>	<u>\$ 2,211,179</u>	<u>\$ 1,736,766</u>	<u>\$ 385,191</u>	<u>\$ 2,121,957</u>

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2011 AND 2010

	2011				Total
	Program Services		Supporting Services		
	Research and Education	Care Partners	Fund-raising	Management and General	
Salaries and Wages	\$ 461,516	\$ –	\$ 311,022	\$ 230,758	\$ 1,003,296
Payroll Taxes and Benefits	85,888	–	57,881	42,945	186,714
Direct Mail	2,158,191	–	1,769,052	–	3,927,243
Program/Grant Commitments:					
Research Grants	2,644,600	–	–	–	2,644,600
Endowed Chair Grants	224,272	–	–	–	224,272
Patient/Family Services	71,224	145,081	–	–	216,305
Education Outreach (In-Kind)	4,070,234	–	–	–	4,070,234
Events	274,951	–	73,320	18,330	366,601
Professional Fees	–	–	–	22,556	22,556
Development	166,607	–	166,608	–	333,215
Information Technology	159,536	5,663	24,450	11,399	201,048
Marketing Communications	158,229	–	17,581	–	175,810
Office Expense:					
Rent	46,703	1,658	7,158	3,337	58,856
Other Office Expense	93,324	3,313	14,303	6,668	117,608
Depreciation	101,557	3,605	15,565	7,256	127,983
Total Expenses	<u>\$ 10,716,832</u>	<u>\$ 159,320</u>	<u>\$ 2,456,940</u>	<u>\$ 343,249</u>	<u>\$ 13,676,341</u>

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

	2010				Total
	Program Services		Supporting Services		
	Research and Education	Care Partners	Fund-raising	Management and General	
Salaries and Wages	\$ 491,550	\$ –	\$ 316,777	\$ 284,006	\$ 1,092,333
Payroll Taxes and Benefits	93,528	–	60,274	54,039	207,841
Direct Mail	2,036,566	–	1,887,032	–	3,923,598
Program/Grant Commitments:					
Research Grants	2,201,265	–	–	–	2,201,265
Endowed Chair Grants	521,150	–	–	–	521,150
Patient/Family Services	–	182,933	–	–	182,933
Education Outreach (In-Kind)	621,672	–	–	–	621,672
Events	338,777	–	89,335	19,236	447,348
Professional Fees	–	–	135,000	56,520	191,520
Development	28,181	–	28,181	–	56,362
Information Technology	190,609	9,109	25,476	17,791	242,985
Marketing Communications	153,396	–	17,044	–	170,440
Office Expense:					
Rent	66,890	3,197	8,940	6,243	85,270
Other Office Expense	131,464	6,283	17,571	12,270	167,588
Depreciation	91,198	4,358	12,189	8,512	116,257
Total Expenses	<u>\$ 6,966,246</u>	<u>\$ 205,880</u>	<u>\$ 2,597,819</u>	<u>\$ 458,617</u>	<u>\$ 10,228,562</u>

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 89,222	\$ 13,848
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation	127,983	116,257
Investment Gains	(474,237)	(229,559)
Long-Term Grants Payable	(65,836)	1,056,840
Long-Term Pledges Receivable	(242,902)	(160,051)
Changes in Assets and Liabilities:		
Pledges Receivable	18,653	(229,892)
Accrued Interest	1,164	-
Prepaid Expenses	(301,075)	297,906
Accounts Payable	8,409	(90,188)
Accrued Payroll	11,516	(8,137)
Other Accrued Liabilities	14,513	(115,882)
Unearned Event Revenue	(6,260)	18,615
Grants Payable	<u>722,794</u>	<u>(942,356)</u>
Net Cash Used In Operating Activities	<u>(96,056)</u>	<u>(272,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(244,564)	(96,779)
Purchases of Investments	(510,091)	(651,651)
Proceeds from Sale of Investments	<u>533,432</u>	<u>256,747</u>
Net Cash Used In Investing Activities	<u>(221,223)</u>	<u>(491,683)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(317,279)	(764,282)
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>2,547,195</u>	<u>3,311,477</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 2,229,916</u>	<u>\$ 2,547,195</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Children's Cancer Research Fund (the Organization) is dedicated to finding a cure for childhood cancer by providing funds to the University of Minnesota for research and training relating to the prevention, treatment and cure of childhood cancer. The Organization also educates the public about childhood cancer and supports quality-of-life programs for pediatric cancer patients and their families.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors has discretionary control. Designated amounts represent those net assets which the Board has set aside for a particular purpose.

Temporarily Restricted Net Assets - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. When the donor imposed restrictions expire or are fulfilled the restricted net assets are reclassified to unrestricted net assets.

The Organization has no permanently restricted net assets.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through September 7, 2011, the date the financial statements were available to be issued. Except as discussed below, there were no subsequent events that required recognition or disclosure in the financial statements.

In July 2011, the Organization received a stock donation of approximately \$5,000,000.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

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

Contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are recorded at their net fair value.

Investments

The Organization carries all investments at market value which is determined based on quoted prices in active markets. Unrealized and realized gains and losses are included in the statement of activities.

Depreciation

Property and equipment are recorded at original cost. Donated property and equipment are recorded at fair market value on the date donated. Maintenance and repairs are expensed and additions or improvements are capitalized. If items of property or equipment are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in current year activities.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture	7 Years
Office and Computer Equipment	3-5 Years
Software	3 Years

Depreciation expense was \$127,983 and \$116,257 for the years ended June 30, 2011 and 2010.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements. Because the Organization is a public charity, contributions may qualify for tax deductions by the contributors.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Association recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization's federal income tax returns are open to examination for tax years 2008 through 2010.

Donated Services

The Organization recognizes revenue and expenses for donated space in the form of publications and digital media for education media outreach. The donated space is valued at fair market value based on rates provided by the ad agency and various publications.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expense

The costs of providing program services and other activities have been summarized on a functional basis in the Statement of Functional Expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

Credit and Market Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. At times, cash deposits at banks may exceed FDIC Insurance limits.

The Organization invests in various investments including marketable securities and governmental issued securities. These investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in these values will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Disclosures About Fair Value of Financial Instruments

Under generally accepted accounting principles, fair value is 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. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest Level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on inputs as presented in Note 2.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in net assets for either period.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments are stated at fair value and consisted of the following at June 30:

	2011	2010
Money Market Funds	\$ 403,965	\$ 996,606
Marketable Equity Securities	2,108,712	1,623,818
Marketable Debt Securities	707,454	810,636
Government Debt Securities	300,003	230,819
Total	\$ 3,520,134	\$ 3,661,879

Investment gain was comprised of the following for the year ended June 30:

	2011	2010
Interest and Dividend Income	\$ 99,697	\$ 90,123
Investment Gains	474,237	229,559
Investment Fees	(14,587)	(13,412)
Total	\$ 559,347	\$ 306,270

Investments funds were held as follows at June 30:

	2011	2010
General Investment Fund	\$ 2,382,036	\$ 1,968,607
Hedberg Family/CCRF Fund	-	788,615
Hageboeck Family/CCRF Fund	1,109,643	870,433
Recruitment Fund	-	10,718
Norma Ramsay Award of Excellence	28,455	23,506
	3,520,134	3,661,879
Money Market Reclassification to Cash Equivalents	(403,965)	(996,606)
Total	\$ 3,116,169	\$ 2,665,273

The following tables, as of June 30, 2011 and 2010, provide information by level for assets that are measured at fair value.

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
2011:				
Money Market Funds	\$ 403,965	\$ 403,965	\$ -	\$ -
Marketable Equity Securities	2,108,712	2,108,712	-	-
Marketable Debt Securities	707,454	-	707,454	-
Government Debt Securities	300,003	-	300,003	-
Totals	\$ 3,520,134	\$ 2,512,677	\$ 1,007,457	\$ -

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
2010:				
Money Market Funds	\$ 996,606	\$ 996,606	\$ -	\$ -
Marketable Equity Securities	1,623,818	1,623,818	-	-
Marketable Debt Securities	810,636	-	810,636	-
Government Debt Securities	230,819	-	230,819	-
Totals	\$ 3,661,879	\$ 2,620,424	\$ 810,636	\$ -

The fair value of marketable and government debt securities were obtained from independent quotation services whose appraisals are based on factors other than quoted market prices.

NOTE 3 - PLEDGES RECEIVABLE

Promises to give consisted of the following at June 30:

	2011	2010
Pledges Receivable	\$ 711,720	\$ 493,432
KS95 Radiothon Pledges	94,328	88,367
Total	\$ 806,048	\$ 581,799

Pledges receivable are due as follows for the years ended June 30:

2012	\$ 403,095
2013	30,000
2014	30,000
2015	230,000
2016	30,000
Later Years	130,000
	853,095
Less Discount at 4%	47,047
Total	\$ 806,048

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of June 30:

	2011	2010
Furniture	\$ 128,910	\$ 128,910
Office and Computer Equipment	95,939	81,622
Software	495,727	265,481
Total	\$ 720,576	\$ 476,013

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - GRANTS PAYABLE

Grants payable are due as follows for the years ended June 30, 2011:

2012	\$ 2,342,040
2013	890,456
2014	1,156,331
2015	<u>46,687</u>
	4,435,514
Less Discount at 5%	<u>156,630</u>
Total	<u>\$ 4,278,884</u>

NOTE 6 - NET ASSETS

Temporarily restricted net assets at June 30, 2010 consist of restricted pledges. Net assets of \$1,402,281 and \$800,926 were released from restrictions in 2011 and 2010 due to satisfaction of program restrictions.

NOTE 7 - LINE OF CREDIT

The Organization has a revolving credit loan agreement with a bank which enables the Organization to borrow up to \$500,000 at the prevailing prime interest rate. The line of credit is secured by all business assets of the Organization. The agreement expires in January 2012. No balance was outstanding on this loan at year end.

NOTE 8 - LEASE COMMITMENTS

The Organization rents its principal office under an operating lease agreement. The lease requires monthly rental payments plus operating allocations as defined by the lease. This lease is non-cancelable and expires in April 2017 with an option for a five year renewal.

The Organization also rents some office equipment. These leases are noncancelable and expire in March and June 2013.

Rental expense and future minimum lease commitments, (excluding estimated operating expense), are as follows as of June 30:

Rental Expense:	
2010	\$ 65,790
2009	93,008
Future Lease Commitments:	
2012	\$ 74,873
2013	76,173
2014	72,877
2015	75,602
2016	78,460
Later Years	<u>67,649</u>
Total Commitments	<u>\$ 445,634</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - ALLOCATION OF JOINT COSTS

The Organization conducts an education program to achieve some of its programmatic goals by utilizing the direct mail campaign's request for contributions. Costs of conducting the direct mail campaign totaled \$3,927,243 and \$3,923,598 as of June 30, 2011 and 2010. Of those total costs, \$2,158,191 and \$2,036,566 were attributable to the research and education program as of June 30, 2011 and 2010.

NOTE 10 - RETIREMENT PLAN

The Organization transitioned from a SEP plan to a 403(b) deferred compensation plan during the fiscal year 2008 for all employees who meet certain age and a one year service requirement. Employees may elect to contribute a portion of their salaries up to IRS limitations. The Organization will match 50% of the employees contribution up to 2% of the employees' compensation. Employer contributions of \$10,715 and \$16,441 were made as of June 30, 2011 and 2010.

NOTE 11 - IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value on the date of donation. In-kind contributions relate to public awareness media space (print and digital) and included the following as of December 31:

	<u>2011</u>	<u>2010</u>
Education Media Outreach - Publications	\$ 1,978,885	\$ 621,672
Education Media Outreach - Digital	2,091,349	-
Total	<u>\$ 4,070,234</u>	<u>\$ 621,672</u>

NOTE 12 - FUNDRAISING INITIATIVE

In 2011, the Organization entered into a fundraising initiative with The Minnesota Medical Foundation (MMF) where MMF is to partner with the Organization to educate donors and to build public awareness towards raising \$15,000,000 over the next 5 years in support of pediatric cancer and related research. As part of this agreement, the Organization is to pay MMF \$1,800,000 over the 5 year term to support donor education and development and provide backroom fundraising assistance. The Organization made payments of \$300,000 related to the agreement in 2011.