



LYMPHOMA RESEARCH FOUNDATION

Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Lymphoma Research Foundation:

We have audited the accompanying financial statements of Lymphoma Research Foundation (the Foundation), which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows 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 U.S. generally accepted accounting principles; 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 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 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 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 Lymphoma Research Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 18, 2016

LYMPHOMA RESEARCH FOUNDATION

Balance Sheets

June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents (note 4)	\$ 1,206,671	1,494,290
Contributions and grants receivable (note 3)	288,769	532,188
Prepaid expenses and other assets	323,883	249,264
Investments (note 4)	8,711,525	8,507,381
Property and equipment, net	49,060	27,140
Total assets	<u>\$ 10,579,908</u>	<u>10,810,263</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (note 7)	\$ 173,537	469,565
Accrued salaries and vacation	187,244	374,575
Refundable advances	95,000	92,000
Research grants payable (note 5)	2,505,920	2,786,420
Total liabilities	<u>2,961,701</u>	<u>3,722,560</u>
Commitments (note 7)		
Net assets:		
Unrestricted	2,574,349	2,198,340
Temporarily restricted (note 8)	5,043,858	4,889,363
Total net assets	<u>7,618,207</u>	<u>7,087,703</u>
Total liabilities and net assets	<u>\$ 10,579,908</u>	<u>10,810,263</u>

See accompanying notes to financial statements.

LYMPHOMA RESEARCH FOUNDATION

Statements of Activities

Years ended June 30, 2016 and 2015

	2016	2015
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Special events revenue and related contributions	\$ 3,153,680	3,684,553
Less costs of direct benefits to donors	(187,925)	(225,550)
Contributions and grants	3,114,179	2,867,525
Total contributions	6,079,934	6,326,528
Revenues:		
Investment income (note 4)	75,451	95,012
Other revenue	21,657	30,600
Total revenues	97,108	125,612
Total contributions and revenues before net assets released from restrictions	6,177,042	6,452,140
Net assets released from restrictions (note 8)	4,296,290	3,736,608
Total contributions and revenues	10,473,332	10,188,748
Expenses:		
Program services:		
Educational programs and patient services	2,835,795	3,032,489
Research (note 5)	3,816,157	3,113,355
Communications and advocacy	1,288,050	1,818,171
Total program services	7,940,002	7,964,015
Supporting services:		
Administration	371,052	318,648
Fundraising	1,786,269	2,054,667
Total supporting services	2,157,321	2,373,315
Total expenses	10,097,323	10,337,330
Increase (decrease) in unrestricted net assets	376,009	(148,582)
Change in temporarily restricted net assets:		
Contributions and grants	4,450,785	4,264,404
Net assets released from restrictions (note 8)	(4,296,290)	(3,736,608)
Increase in temporarily restricted net assets	154,495	527,796
Change in net assets	530,504	379,214
Net assets at beginning of year	7,087,703	6,708,489
Net assets at end of year	\$ 7,618,207	7,087,703

See accompanying notes to financial statements.

LYMPHOMA RESEARCH FOUNDATION

Statement of Functional Expenses

Year ended June 30, 2016

	Program services				Supporting services			Total 2016
	Educational programs and patient services	Research	Communications and advocacy	Total program services	Administration	Fundraising	Total supporting services	
Grants (note 5)	\$ 163,250	1,670,000	—	1,833,250	—	—	—	1,833,250
Salaries	814,424	359,207	395,625	1,569,256	180,431	700,206	880,637	2,449,893
Payroll taxes and employee benefits	217,093	95,750	105,458	418,301	48,096	189,935	238,031	656,332
Conferences and events	832,391	421,666	10,342	1,264,399	10,483	202,763	213,246	1,477,645
Costs of direct benefits to donors	—	—	—	—	—	187,925	187,925	187,925
Dues and subscriptions	2,957	18,912	33,240	55,109	254	2,986	3,240	58,349
Insurance	7,792	3,437	3,785	15,014	1,726	9,949	11,675	26,689
Licenses and permits	—	—	—	—	225	21,810	22,035	22,035
Marketing and promotion	141,896	29,337	456,494	627,727	205	38,907	39,112	666,839
Processing fees and other	14,477	2,609	1,141	18,227	15,556	148,312	163,868	182,095
Office equipment	15,754	3,100	3,414	22,268	1,557	47,249	48,806	71,074
Office supplies	19,870	5,006	2,879	27,755	1,253	17,341	18,594	46,349
Postage and shipping	57,775	13,006	2,267	73,048	296	49,603	49,899	122,947
Printing and publications	133,692	39,525	17,015	190,232	235	68,435	68,670	258,902
Professional fees	23,437	854,608	123,865	1,001,910	63,832	41,425	105,257	1,107,167
Rent (note 7)	139,988	61,743	68,002	269,733	31,014	120,356	151,370	421,103
Repairs and maintenance	28,785	12,696	13,983	55,464	6,377	28,348	34,725	90,189
Telecommunications	89,499	5,994	6,773	102,266	3,011	12,763	15,774	118,040
Travel	125,104	216,204	40,070	381,378	4,815	79,337	84,152	465,530
Depreciation and amortization	7,611	3,357	3,697	14,665	1,686	6,544	8,230	22,895
Subtotal	2,835,795	3,816,157	1,288,050	7,940,002	371,052	1,974,194	2,345,246	10,285,248
Less direct donor benefit expenses	—	—	—	—	—	(187,925)	(187,925)	(187,925)
Total expenses	\$ 2,835,795	3,816,157	1,288,050	7,940,002	371,052	1,786,269	2,157,321	10,097,323

See accompanying notes to financial statements.

LYMPHOMA RESEARCH FOUNDATION

Statement of Functional Expenses

Year ended June 30, 2015

	Program services				Supporting services			Total 2015
	Educational programs and patient services	Research	Communications and advocacy	Total program services	Administration	Fundraising	Total supporting services	
Grants (note 5)	\$ 173,750	1,485,000	—	1,658,750	—	—	—	1,658,750
Salaries	1,093,318	319,996	651,658	2,064,972	158,331	709,990	868,321	2,933,293
Payroll taxes and employee benefits	272,724	79,822	162,553	515,099	39,736	191,932	231,668	746,767
Conferences and events	662,103	244,920	154,945	1,061,968	10,467	233,822	244,289	1,306,257
Costs of direct benefits to donors	—	—	—	—	—	225,550	225,550	225,550
Dues and subscriptions	1,484	4,172	25,566	31,222	115	5,545	5,660	36,882
Insurance	9,196	2,692	5,481	17,369	2,594	7,471	10,065	27,434
Licenses and permits	—	—	—	—	25	31,108	31,133	31,133
Marketing and promotion	155,358	51,301	426,775	633,434	278	40,177	40,455	673,889
Processing fees and other	14,583	4,237	1,957	20,777	11,051	184,717	195,768	216,545
Office equipment	19,169	2,495	5,082	26,746	1,234	56,076	57,310	84,056
Office supplies	16,598	1,936	3,660	22,194	864	20,668	21,532	43,726
Postage and shipping	71,832	11,710	4,466	88,008	254	59,368	59,622	147,630
Printing and publications	92,992	24,648	16,600	134,240	381	76,525	76,906	211,146
Professional fees	50,337	685,442	155,547	891,326	58,307	165,255	223,562	1,114,888
Rent (note 7)	148,929	40,354	99,607	288,890	15,468	104,112	119,580	408,470
Repairs and maintenance	39,622	11,597	26,416	77,635	5,738	39,093	44,831	122,466
Telecommunications	94,837	5,209	10,395	110,441	2,518	13,116	15,634	126,075
Travel	89,994	130,313	52,167	272,474	7,570	99,026	106,596	379,070
Depreciation and amortization	25,663	7,511	15,296	48,470	3,717	16,666	20,383	68,853
Subtotal	3,032,489	3,113,355	1,818,171	7,964,015	318,648	2,280,217	2,598,865	10,562,880
Less direct donor benefit expenses	—	—	—	—	—	(225,550)	(225,550)	(225,550)
Total expenses	\$ 3,032,489	3,113,355	1,818,171	7,964,015	318,648	2,054,667	2,373,315	10,337,330

See accompanying notes to financial statements.

LYMPHOMA RESEARCH FOUNDATION

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 530,504	379,214
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	22,895	68,853
Realized loss on investments	309	128
Unrealized gain on investments	(17,876)	(51,715)
Changes in operating assets and liabilities:		
Contributions and grants receivable	243,419	(77,711)
Prepaid expenses and other assets	(74,619)	(43,342)
Accounts payable and accrued expenses	(296,028)	66,781
Accrued salaries and vacation	(187,331)	99,583
Refundable advances	3,000	3,250
Research grants payable	(280,500)	(1,213,557)
Net cash used in operating activities	(56,227)	(768,516)
Cash flows from investing activities:		
Proceeds from investment sales	6,618,762	11,764,894
Purchases of investments	(6,805,339)	(10,644,251)
Purchase of equipment	(44,815)	(11,326)
Net cash (used in) provided by investing activities	(231,392)	1,109,317
Net (decrease) increase in cash and cash equivalents	(287,619)	340,801
Cash and cash equivalents at beginning of year	1,494,290	1,153,489
Cash and cash equivalents at end of year	\$ 1,206,671	1,494,290

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2016 and 2015

(1) Organization

The Lymphoma Research Foundation (the Foundation) is a nonprofit corporation, which is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and similar provisions at the state and local level. The Foundation is the nation's largest nonprofit organization devoted to only funding innovative lymphoma research and providing patients and their families and healthcare professionals with up-to-date education about this type of cancer. The Foundation's mission is to eradicate lymphoma and serve those touched by this disease. The Foundation's primary sources of income are contributions and grants.

To help ensure that the amounts the Foundation raises is directed toward cutting-edge lymphoma-related research, decisions of what research will be funded are made by the deliberations of the Foundation's Scientific Advisory Board (SAB). The SAB is comprised of a volunteer group of scientists and clinicians distinguished in the fields of lymphoma research and treatment. They make their judgments on applications for funding based on the scientific and innovative merits of the projects proposed, the demonstrated ability of the researcher and sponsor, and the suitability of the institution. The members of the SAB review the applications independently and then meet to discuss the proposals at periodic meetings scheduled throughout the year.

In addition to evaluating grant applications, the SAB counsels the Foundation's Board of Directors and staff on the direction of its overall strategic scientific agenda in order to remain current with the pace and direction of the rapidly evolving area of blood cancer research.

The Board of Directors studies the recommendations of the SAB. Their aim is to approve those recommended grant applications and projects which seem most likely to have an impact on lymphoma-related research and treatments, and therefore most likely to help the Foundation achieve its overall goals. The Foundation funds research projects submitted by individuals associated with accredited academic institutions, Joint Commission on Accreditation of Healthcare Organizations (JCAHO), accredited research hospitals, and other research organizations that have strong national and international reputations.

The Foundation is also dedicated to serving those touched by lymphoma. To accomplish this, the Foundation provides national, regional, and local educational conferences and symposiums, advocacy programs, online webcast educational programming, telephone educational workshops, and educational publications. The Foundation's educational programs and publications provide lymphoma patients and their loved ones with current and comprehensive information about the disease, its treatments, promising research in lymphoma, and how to better manage the psycho/social issues associated with living with lymphoma. The Foundation also offers a Lymphoma Helpline and Clinical Trials Information Service, a nationwide peer support program, and financial assistance to lymphoma patients receiving treatment.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and the changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

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Temporarily Restricted – Net assets subject to donor-imposed restrictions that will be met by actions of the Foundation and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets.

(b) Accounting Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the financial statements include the net realizable value of contributions and grants receivable, the valuation of contributed services, and functional expense allocations. Actual results could differ from those estimates.

(c) Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(d) Contributions

Contributions, including unconditional promises to give (pledges), are recognized initially at fair value as revenue upon receipt and are considered to be unrestricted unless they are received with donor stipulations that limit their use through either purpose or time restrictions. Contributions with donor stipulations that limit their use are considered to be temporarily restricted until the donor restrictions expire, that is, when a time restriction ends or purpose restriction is fulfilled. Upon the expiration of donor stipulations, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

During the years ended June 30, 2016 and 2015, the Foundation received \$1,202,408 and \$969,796, respectively, in contributions in-kind that are reported as contributions and expenses in the accompanying statements of activities and functional expenses. The 2016 and 2015 amounts include \$379,508 and \$326,696, respectively, recognized in revenues and expenses from Google grants. The 2016 and 2015 amounts also include \$822,900 and \$643,100, respectively, recognized in revenues and expenses associated with the recognition of time spent by SAB members to carry out the requirements of its research program as well as support the Foundation's professional and patient education

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Notes to Financial Statements

June 30, 2016 and 2015

programs. Without the volunteer support these physicians provide the Foundation, the organization would be required to compensate physicians to perform these services.

A substantial number of other volunteers have donated significant amounts of their time in supporting the Foundation's activities. No amounts have been reflected in the accompanying financial statements for these donated services since they do not meet the criteria for recognition.

(e) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of 90 days or less when acquired to be cash equivalents, with the exception of cash and those short-term investments that are maintained in the Foundation's investment portfolio.

(f) Investments

Investments are reported at fair value based upon quoted market prices.

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from two to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. The Foundation capitalizes all property and equipment having a cost of \$1,000 or more and a useful life of at least two years.

(h) Refundable Advances

Amounts received by the Foundation for certain special events are reflected as refundable advances until the event occurs. The majority of these amounts are characterized by the Foundation as an exchange transaction.

(i) Functional Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Internal Revenue Code Section 511. The Foundation did not recognize any unrelated business income tax liability for the years ended June 30, 2016 and 2015.

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Notes to Financial Statements

June 30, 2016 and 2015

(3) Contributions and Grants Receivable

Contributions and grants receivable are scheduled to be collected as follows at June 30, 2016 and 2015:

	2016	2015
Amount due in one year or less	\$ 288,769	527,188
Amount due in five years	—	5,000
	\$ 288,769	532,188

(4) Investments

The following tables present the Foundation's fair value hierarchy for investments measured at fair value as of June 30, 2016 and 2015:

	2016		
	Total	Level 1	Level 2
Investments:			
Money market fund	\$ 194,401	194,401	—
Certificates of deposit	8,517,124	—	8,517,124
Total investments	\$ 8,711,525	194,401	8,517,124

	2015		
	Total	Level 1	Level 2
Investments:			
Money market fund	\$ 134,141	134,141	—
Certificates of deposit	8,373,240	—	8,373,240
Total investments	\$ 8,507,381	134,141	8,373,240

Investment income consists of the following for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 57,884	43,425
Realized loss on investments	(309)	(128)
Unrealized gain on investments	17,876	51,715
	\$ 75,451	95,012

The Foundation maintains cash and cash equivalents in major financial institutions. Investments that are described above include certificates of deposit (CDs) having original maturities greater than 90 days. The

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Notes to Financial Statements

June 30, 2016 and 2015

CDs are maintained at a number of financial institutions. As of June 30, 2016, there was no exposure of credit risk that exceeded the Federal Deposit Insurance Corporation insurance limits for both cash and cash equivalents and CDs.

(5) Research and Patient Aid Grants

Research grant expense is recorded when the grant is approved by the Foundation and the grantee is notified of the award. Research grants are generally awarded for a two to three-year period, with payments made quarterly.

The Foundation offers a financial assistance program for people currently undergoing treatment for lymphoma. Patient aid grants assist with quality of life expenses.

The following provides grant activity for fiscal years 2016 and 2015:

	2016	2015
Grants payable, beginning of year	\$ 2,786,420	3,999,977
Grants awarded	1,833,250	1,658,750
Grant payments and cancellations	(2,113,750)	(2,872,307)
Grant payable, end of year	\$ 2,505,920	2,786,420

Grants payable are scheduled to be paid as follows as of June 30, 2016 and 2015:

	2016	2015
Amount payable in one year or less	\$ 1,135,920	1,835,420
Amount payable in more than one year	1,370,000	951,000
	\$ 2,505,920	2,786,420

(6) Pension Plan

The Foundation maintains a retirement plan pursuant to Internal Revenue Code Section 403(b) for its employees. Employees are eligible to participate immediately. Under the terms of the plan, employees are entitled to defer a portion of their annual compensation, within limitations established by the Internal Revenue Code. During 2006, the Foundation started a matching program whereby it contributes an amount equal to 5% of annual compensation for eligible employees provided that the employees contribute at least 3% to the plan. Retirement expense under the plan amounted to \$88,000 and \$90,000 for the years ended June 30, 2016 and 2015, respectively.

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Notes to Financial Statements

June 30, 2016 and 2015

(7) Commitments

The Foundation has lease agreements for the rental of its New York and California offices. Minimum annual rentals related to these leases are approximately as follows for the years ended subsequent to June 30, 2016:

2017	\$	384,000
2018		362,000
2019		397,000
2020		397,000
2021		397,000
Thereafter		<u>2,397,000</u>
	\$	<u><u>4,334,000</u></u>

The Foundation leases its New York City office whereby the landlord has provided periods of free rent. The Foundation recorded a liability for this free rent that it amortizes on a straight-line basis over the life of the lease. Included in accounts payable and accrued expenses is deferred rent of \$4,339 and \$7,918 as of June 30, 2016 and 2015, respectively.

The Foundation's current lease at its headquarters in New York City expires on July 31, 2017. On June 16, 2016, the Foundation entered into a ten year lease for space in a new location in New York City. The minimal annual rental payments related to this lease are included in the table above. The new space will become available upon the completion of architectural work for the new location, but not before March 1, 2017. Once the space is available for occupancy, the Foundation will receive eight months of free rent beginning with that date. The Foundation has issued a Letter of Credit in the amount of \$125,018 to the landlord as a security deposit representing three months of rent.

Rent expense for the years ended June 30, 2016 and 2015 amounted to approximately \$421,000 and \$408,000, respectively.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following as of June 30, 2016 and 2015:

		<u>2016</u>	<u>2015</u>
Research program	\$	1,671,219	1,884,113
Patient and professional programs		3,349,008	2,832,416
Patient aid		<u>23,631</u>	<u>172,834</u>
	\$	<u><u>5,043,858</u></u>	<u><u>4,889,363</u></u>

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Notes to Financial Statements

June 30, 2016 and 2015

Net assets were released from restrictions during the years ended June 30, 2016 and 2015 by incurring expenses or the passage of time, thus satisfying the restricted purposes as follows:

	<u>2016</u>	<u>2015</u>
Research program	\$ 2,184,184	1,830,560
Patient and professional programs	1,948,856	1,757,298
Patient aid	<u>163,250</u>	<u>148,750</u>
	<u>\$ 4,296,290</u>	<u>3,736,608</u>

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events after the balance sheet date of June 30, 2016 through November 18, 2016, which was the date the financial statements were available to be issued and determined that there were no additional matters that are required to be disclosed.