EisnerAmper

CANCER RESEARCH INSTITUTE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017

EISNERAMPER

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cancer Research Institute, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Cancer Research Institute, Inc. (the "Institute"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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

The Institute's 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 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 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 Cancer Research Institute, Inc. as of June 30, 2018 and 2017, 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.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
October 12, 2018

CANCER RESEARCH INSTITUTE, INC.

Statements of Financial Position

	June 30, 2018	June 30, 2017
ASSETS		
Cash and cash equivalents	**$ 21,375,212**	$ 15,914,283
Contributions and grants receivable, net	**33,417,865**	41,643,900
Bequests receivable	**663,323**	931,121
Other receivables	**289,677**	255,431
Investments	**54,795,992**	50,053,136
Property and equipment, net	**211,061**	25,640
Prepaid expenses and other assets	**414,264**	610,366
Beneficial interest in perpetual trust	**651,669**	632,798
	$ 111,819,063	$ 110,066,675
LIABILITIES		
Accounts payable and accrued expenses	**$ 443,818**	$ 430,535
Annuities payable	**82,684**	87,206
Grants and fellowships payable, net	**58,909,145**	54,803,073
Deferred rent	**141,069**	
Refundable deposit	**49,941**	49,941
	59,626,657	55,370,755
Commitment (see Note M)		
NET ASSETS		
Unrestricted:		
Undesignated, available for operations	**27,822,424**	24,225,755
Board-designated as endowment	**4,172,232**	3,738,576
Total unrestricted	**31,994,656**	27,964,331
Temporarily restricted	**16,667,691**	23,220,401
Permanently restricted	**3,530,059**	3,511,188
	52,192,406	54,695,920
	$ 111,819,063	$ 110,066,675

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statements of Activities

	Year Ended June 30,							
	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenues:								
Public support:								
General and trustee	$ 6,481,958			$ 6,481,958	$ 6,315,910	$ 53,000		$ 6,368,910
Combined federal campaigns	385,015	$ 195,660		580,675	435,254	320,929		756,183
Bequests and memorials	4,240,771			4,240,771	2,475,218			2,475,218
Special events (net of direct benefit to donors of $264,146 in 2018 and $350,518 in 2017)	1,814,865	40,311		1,855,176	2,440,223	2,383		2,442,606
Designated contributions (including in-kind contributions of services of $501,615 in 2018 and $959,546 in 2017)	9,710,681	1,289,909		11,000,590	10,169,243	757,000		10,926,243
Total public support	22,633,290	1,525,880		24,159,170	21,835,848	1,133,312		22,969,160
Operating revenues:								
Rental loss (net of related expenses of $99,102 in 2018 and $142,387 in 2017)	(13,128)			(13,128)	(60,100)			(60,100)
Investment income allocation	2,304,858			2,304,858	2,154,376			2,154,376
Miscellaneous	40,026			40,026	91,215			91,215
Total operating revenues	2,331,756			2,331,756	2,185,491			2,185,491
Net assets released from restrictions	8,078,590	(8,078,590)		0	4,197,617	(4,197,617)		0
Total operating support and revenues	33,043,636	(6,552,710)		26,490,926	28,218,956	(3,064,305)		25,154,651
Operating expenses:								
Program services:								
Science, medical and research information, and communications	4,845,502			4,845,502	4,756,607			4,756,607
Research	21,638,503			21,638,503	16,442,792			16,442,792
Total program services	26,484,005			26,484,005	21,199,399			21,199,399
Supporting services:								
Administration	1,464,722			1,464,722	1,287,157			1,287,157
Marketing and development	2,231,545			2,231,545	2,811,152			2,811,152
Allowance for uncollectible accounts	1,390,500			1,390,500	2,615,201			2,615,201
Total supporting services	5,086,767			5,086,767	6,713,510			6,713,510
Total expenses	31,570,772			31,570,772	27,912,909			27,912,909
Change in net assets from operating activities	1,472,864	(6,552,710)		(5,079,846)	306,047	(3,064,305)		(2,758,258)
Non-operating activities:								
Net investment income in excess of investment allocation	2,557,461			2,557,461	3,731,411	38,475		3,769,886
Change in value of perpetual trust			$ 18,871	18,871			$ 31,194	31,194
Change in net assets	4,030,325	(6,552,710)	18,871	(2,503,514)	4,037,458	(3,025,830)	31,194	1,042,822
Net assets, beginning of year	27,964,331	23,220,401	3,511,188	54,695,920	23,926,873	26,246,231	3,479,994	53,653,098
Net assets, end of year	$ 31,994,656	$ 16,667,691	$ 3,530,059	$ 52,192,406	$ 27,964,331	$ 23,220,401	$ 3,511,188	$ 54,695,920

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized financial information for 2017)

	Program Services			Support Services			Totals	
	Science, Medical and Research Information, and Communications	**Research**	**Total**	**Administration**	**Marketing and Development**	**Total**	**2018**	**2017**
Fellowship program		**$ 5,031,698**	**$ 5,031,698**				**$ 5,031,698**	$ 5,627,779
Designated grants program		**1,066,646**	**1,066,646**				**1,066,646**	1,636,109
Clinical accelerator program		**12,541,459**	**12,541,459**				**12,541,459**	5,586,923
Technology Prize Award		**600,000**	**600,000**				**600,000**	1,000,000
CLIP grants program		**2,398,700**	**2,398,700**				**2,398,700**	2,591,981
Salaries, benefits and related taxes	**$ 1,592,194**		**1,592,194**	**$ 888,614**	**$ 1,366,439**	**$ 2,255,053**	**3,847,247**	3,228,846
Professional fees and commissions	**1,593,872**		**1,593,872**	**219,171**	**284,449**	**503,620**	**2,097,492**	2,165,389
Printing, postage and supplies	**160,712**		**160,712**	**85,536**	**225,056**	**310,592**	**471,304**	385,253
Rent	**203,823**		**203,823**	**112,403**	**177,331**	**289,734**	**493,557**	427,522
Telephone	**10,645**		**10,645**	**10,645**	**10,645**	**21,290**	**31,935**	10,440
Advertising	**119,380**		**119,380**	**129**	**53,147**	**53,276**	**172,656**	142,822
Depreciation and amortization	**17,059**		**17,059**	**9,341**	**14,215**	**23,556**	**40,615**	86,298
Travel and related costs	**663,963**		**663,963**	**15,692**	**29,357**	**45,049**	**709,012**	1,504,611
Indirect expenses - Ride to Cancer								464,784
Insurance expense				**35,536**		**35,536**	**35,536**	30,999
Miscellaneous	**483,854**		**483,854**	**87,655**	**70,906**	**158,561**	**642,415**	407,952
	4,845,502	**21,638,503**	**26,484,005**	**1,464,722**	**2,231,545**	**3,696,267**	**30,180,272**	25,297,708
Allowance for uncollectible accounts				**1,390,500**		**1,390,500**	**1,390,500**	2,615,201
	$ 4,845,502	**$ 21,638,503**	**$ 26,484,005**	**$ 2,855,222**	**$ 2,231,545**	**$ 5,086,767**	**$ 31,570,772**	$ 27,912,909

CANCER RESEARCH INSTITUTE, INC.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Support Services			
	Science, Medical and Research Information, and Communications	Research	Total	Administration	Marketing and Development	Total	Total
Fellowship program		$ 5,627,779	$ 5,627,779				$ 5,627,779
Designated grants program		1,636,109	1,636,109				1,636,109
Clinical accelerator program		5,586,923	5,586,923				5,586,923
Technology Prize Award		1,000,000	1,000,000				1,000,000
CLIP grants program		2,591,981	2,591,981				2,591,981
Salaries, benefits and related taxes	$ 1,247,234		1,247,234	$ 766,142	$ 1,215,470	$ 1,981,612	3,228,846
Professional fees and commissions	1,408,008		1,408,008	238,527	518,854	757,381	2,165,389
Printing, postage and supplies	138,642		138,642	55,260	191,351	246,611	385,253
Rent	168,006		168,006	94,611	164,905	259,516	427,522
Telephone	3,480		3,480	3,480	3,480	6,960	10,440
Advertising	76,451		76,451	2,328	64,043	66,371	142,822
Depreciation and amortization	35,382		35,382	20,712	30,204	50,916	86,298
Travel and related costs	1,476,365		1,476,365	7,541	20,705	28,246	1,504,611
Indirect expenses - Ride to Cancer					464,784	464,784	464,784
Insurance expense				30,999		30,999	30,999
Miscellaneous	203,039		203,039	67,557	137,356	204,913	407,952
	4,756,607	16,442,792	21,199,399	1,287,157	2,811,152	4,098,309	25,297,708
Allowance for uncollectible accounts				2,615,201		2,615,201	2,615,201
	$ 4,756,607	$ 16,442,792	$ 21,199,399	$ 3,902,358	$ 2,811,152	$ 6,713,510	$ 27,912,909

See notes to financial statements.

CANCER RESEARCH INSTITUTE, INC.

Statements of Cash Flows

	Year Ended June 30, 2018	Year Ended June 30, 2017
Cash flows from operating activities:		
Change in net assets	**$ (2,503,514)**	$ 1,042,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	**(199,613)**	(161,736)
Proceeds from sale of donated securities	**197,583**	161,736
Depreciation and amortization	**40,615**	86,298
Allowance for uncollectible accounts	**1,390,500**	2,615,201
Net realized and unrealized gains on investments	**(4,665,447)**	(5,974,286)
Change in value of beneficial interest in perpetual trust	**(18,871)**	(31,194)
Deferred rent	**141,069**	
Changes in:		
Contributions and grants receivable, net	**6,835,535**	4,415,416
Bequests receivable	**267,798**	(156,427)
Other receivables	**(34,246)**	35,249
Prepaid expenses and other assets	**196,102**	(132,376)
Accounts payable and accrued expenses	**8,761**	(58,469)
Grants and fellowships payable	**4,106,072**	(1,717,543)
Refundable deposits		31,541
Net cash provided by operating activities	**5,762,344**	156,232
Cash flows from investing activities:		
Purchases of office equipment	**(226,036)**	(4,855)
Purchases of long-term investments	**(11,458,507)**	(20,940,264)
Proceeds from sales of long-term investments	**11,383,128**	20,879,123
Net cash used in investing activities	**(301,415)**	(65,996)
Net increase in cash and cash equivalents	**5,460,929**	90,236
Cash and cash equivalents, beginning of year	**15,914,283**	15,824,047
Cash and cash equivalents, end of year	**$ 21,375,212**	$ 15,914,283
Supplemental disclosure of cash flow information:		
Donated services	**$ 501,615**	$ 959,546

See notes to financial statements.

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Institute:

The Cancer Research Institute, Inc. (the "Institute") was founded in 1953 in New York to foster the field of cancer immunology, in the belief that the body's immune system can be used to control and cure cancer. The Institute supports research with the immediate aim of increasing the understanding of the immune system and with the ultimate goal of developing immunological methods for the prevention and treatment of human cancer. The Institute also functions as a definitive source of public information on cancer immunology and cancer treatment.

The Institute is a not-for-profit corporation exempt from federal income taxes pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

[2] Basis of accounting:

The financial statements of the Institute have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit entities.

[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, liabilities, revenues, and expenses and the disclosure of commitments and contingencies. Actual results may differ from those estimates.

[4] Operating measure:

Operating revenues and expenses reflect the activities in which the Institute typically engages to fulfill its mission. The Institute utilizes a spending rate in making its annual investment allocation for support of operations. Investment income, including net realized and unrealized gains and losses, earned in excess of or less than the Institute's spending rate as well as the change in the value of perpetual trust is recognized as non-operating revenue.

[5] Cash and cash equivalents:

For financial-reporting purposes, the Institute considers all highly liquid financial instruments purchased, with an original maturity of three months or less, to be cash equivalents, except those held as part of the investment portfolio.

[6] Investments:

The Institute's investments in equity securities, mutual funds, and fixed income securities are reported at their fair values in the statements of financial position based on quoted market prices.

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Investments: (continued)

The Institute also has investments in limited partnerships and limited liability companies which are considered to be alternative investments, for which readily determinable fair values do not exist. The fair value of the alternative investments has been estimated based on the respective net asset value ("NAV") per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Investments in limited partnerships and/or limited liability companies where NAV cannot be used as a practical expedient to fair value are valued based on the valuation policies and procedures of the general partners. The general partners perform oversight of the underlying positions, both on an investment level and from a risk perspective. The general partners are also responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnerships. The Institute places reliance upon those procedures, and it records those investments at fair value as determined by the general partners. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the alternative investments, the Institute's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

The Institute's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Certain of the Institute's investment managers enter into derivatives contracts held or issued for trading purposes. These investments are subject to various market risks, which arise from changes in securities values and other market conditions. As part of their overall trading strategies, the investment managers may engage in the purchases and sales of index and equity options, for the purpose of generating profit and/or reducing market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Distributions from limited partnerships and limited liability companies that represent returns of contributed capital reduce the cumulative costs basis of the respective investment. Distributions received from limited partnerships and limited liability companies in excess of the Institute's cumulative cost basis are recognized as realized gains. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their estimated fair values, as determined by the proceeds received on the dates of donation or by their net asset values as determined by the Institute's management. The Institute's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities. With respect to donors' contributions of equity securities, which for example, are (i) not readily marketable, (ii) the securities of private companies, or (iii) the securities of companies in liquidation, the Institute's policy is to record such items at appraised value at time of donation in the absence of readily determinable fair values, although such assets may have significant value.

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Investments: (continued)

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Institute's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[7] Office equipment and leasehold improvements:

Office equipment and leasehold improvements are stated at their original costs at the dates of acquisition, or if contributed, at their estimated fair values at the dates of donation. The Institute capitalizes items of property and equipment that have a useful life greater than one year, whereas minor costs of repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of three to ten years. Leasehold improvements are recorded at cost and are amortized over the life of the lease.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2018 and 2017, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[8] Deferred rent:

Rent expense is recorded on a straight-line basis over the term of the lease, and includes any concession and rent escalations over the life of the lease agreement. The difference between rental payments made under the terms of the lease agreement and rent expense calculated on a straight-line basis is recorded as a deferred rent liability and included in accounts payable and accrued expenses in the statements of financial position.

[9] Accrued vacation:

Based on their tenure, the Institute's employees are entitled to be paid for unused vacation time if they leave the Institute's employ. Accordingly, at each fiscal year-end, the Institute must recognize a liability for the amount that would be incurred if employees with such unused vacation time were to leave. At June 30, 2018 and 2017, this accrued vacation obligation was approximately $203,000 and $158,000, respectively.

[10] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses, except for certain expenses that have been netted against revenue in the statements of activities. Expenses are reported on a functional basis in Note H. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable methods determined by management.

[11] Income tax uncertainties:

The Institute is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of the Institute's general not-for-profit status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Institute's financial statements.

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Net assets:

The net assets of the Institute and changes therein are reported as follows:

(i) Unrestricted:

Unrestricted net assets are categorized as either (i) designated by the Board of Trustees to function as endowment, or (ii) available for operations. Both categories are fully available, at the discretion of the Institute's Board, for the Institute to utilize in any of its programs or supporting services.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as well as those resources for which the use has been restricted (i) for appropriation for expenditure by the Board of Trustees, (ii) by donors for specific purposes, and/or (iii) the passage of time. When a donor's restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished or a Board appropriation has been made, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as "net assets released from restrictions". Temporarily restricted contributions received in a fiscal period during which the underlying restrictions are also met are recorded as unrestricted in the statements of activities.

(iii) Permanently restricted:

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors, if any.

[13] Contributions:

Contributions to the Institute are recognized as revenue upon receipt of either cash, or other assets (such as securities), or of unconditional pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted using interest rates applicable to the years in which payments are expected to be received. Contributions received with no explicit donor restrictions are considered to be available for the general purposes of the Institute. Conditional promises to give are not included as a support until such underlying conditions are substantially met.

Contributions for clinical studies are recognized and recorded when the Institute recognizes the related expenses associated with the medical partners.

The Institute has entered into various clinical research support agreements to conduct clinical trials of cancer immunotherapies. The clinical trials are co-funded by various parties who have provided support in the amount of approximately $6,914,717 through June 30, 2018.

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Contributed services:

For recognition of contributed services in the financial statements, such services must (i) create or enhance non-financial assets, (ii) typically need to be acquired not provided by donation, (iii) require specialized skills and (iv) be provided by individuals possessing these skills. Contributed services are recorded at their estimated fair value at the dates of donation and are reported as unrestricted support in the statements of activities. The fair values of contributed services provided by the Institute's Scientific Advisory Council totaled $501,615 and $959,546 for fiscal-years 2018 and 2017, respectively, and these amounts have been recorded as revenue and expense in the statements of activities. Other contributed services provided to the Institute such as those provided by volunteers, are not reported in the financial statements because they do not meet the criteria for recognition.

[15] Bequests:

The Institute is a beneficiary under various wills and agreements, the total realizable amounts of which are not presently determinable. The Institute's interest in bequests is recorded as revenue when the Institute receives notice that any such interest has become unconditional.

Bequests receivable were $663,323 and $931,121 as of June 30, 2018 and June 30, 2017, respectively. All amounts are due within one year. Based on management's past experience the receivables are expected to be fully collected, and, accordingly no allowance for doubtful accounts has been established.

[16] Fellowships, investigatorships, and grants:

The Institute awards fellowships, investigatorships, and grants covering periods of one to four years for the purpose of medical research. These awards are recorded as expenses at the time they become unconditional.

[17] Science, medical and research information, and communications:

Science, medical and research information, and communications include costs primarily related to (i) providing the public with information concerning cancer immunology, (ii) responding to inquiries from the public concerning cancer, and (iii) communicating with applicants and awardees.

[18] Advertising costs:

The Institute expenses the costs of advertising as incurred. Advertising expenses were $172,656 and $142,822 during fiscal-year 2018 and 2017, respectively.

[19] Upcoming accounting change:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing 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: (i) net asset classifications, (ii) investment returns, (iii) expenses categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for years beginning after December 15, 2017. The Institute will adopt this accounting pronouncement in 2019.

NOTE A - THE INSTITUTE AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[20] Reclassification:

Certain information in the prior-year's financial statements has been reclassified to conform to the current year's presentation.

[21] Subsequent events:

The Institute evaluated subsequent events through October 12, 2018, the date on which the financial statements were available to be issued.

NOTE B - CONTRIBUTIONS AND GRANTS AND OTHER RECEIVABLES

At each fiscal year-end, contributions and grants receivable are estimated to be received as follows:

	June 30, 2018	June 30, 2017
Gross amounts due in:		
Less than one year	**$ 13,734,906**	$ 16,754,566
One to five years	**20,631,088**	25,892,243
	34,365,994	42,646,809
Reduction for contributions due in excess of one year, at a 1% discount rate	**(448,129)**	(502,909)
	33,917,865	42,143,900
Allowance for uncollectible accounts	**(500,000)**	(500,000)
	$ 33,417,865	$ 41,643,900

An amount of approximately $27,862,690 (83%) of the outstanding pledge receivable balance at June 30, 2018 was due from three donors. Likewise, approximately $32,062,000 (75%) of the outstanding pledge receivable balance at June 30, 2017, was due from two donors. Included in contribution revenue for fiscal-year 2018, was an amount of $6,914,717 from two donors, which represented approximately 56% of the total operating support and revenue for that fiscal year.

At each year-end, other receivables consisted of amounts due to the Institute for exchange-type transactions. All amounts are due within one year. Based on management's past experience, these receivables are expected to be fully collected, and, accordingly, no allowance for doubtful accounts has been established.

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	**$ 1,642,060**	**$ 1,642,060**	$ 566,309	$ 564,479
Equity securities	**2,147,281**	**1,965,860**	2,018,725	1,988,906
Mutual funds - equity securities	**2,958,753**	**2,796,366**	2,122,651	1,993,001
Mutual funds - fixed-income	**1,467,816**	**1,326,505**	2,106,515	2,116,002
Mutual funds - ETFs	**5,916,807**	**5,310,661**	6,576,465	5,781,578
Limited partnerships	**40,663,275**	**28,936,938**	36,662,471	28,400,803
	$ 54,795,992	**$ 41,978,390**	$ 50,053,136	$ 40,844,769

At June 30, 2018, concentrations of the Institute's investments in excess of 10% of the fair value of its portfolio included approximately (i) 11% invested in mutual funds - ETFs, and (ii) 74% invested in limited partnerships.

During each fiscal year, the net investment return from investments and its classification in the accompanying statements of activities was as follows:

	Year Ended June 30,	
	2018	2017
Interest and dividends	**$ 334,392**	$ 284,686
Net realized and unrealized gains	**4,665,447**	5,974,286
Investment advisory fees	**(137,520)**	(334,710)
	4,862,319	5,924,262
Less: Net investment allocation for current operations	**(2,304,858)**	(2,154,376)
Net investment income in excess of investment allocation	**$ 2,557,461**	$ 3,769,886

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

NOTE C - INVESTMENTS (CONTINUED)

Certain of the Institute's investments are valued using NAV per share (or its equivalent unit) as a practical expedient of fair value. This applies to investments (i) which do not have a readily determinable fair value and (ii) the financial statements of which were prepared by the respective investment managers, in a manner consistent with the measurement principles of either an investment company or an entity which has the attributes of an investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair-value hierarchy, and accordingly, these NAV-investments have been appropriately excluded from the fair-value hierarchy.

The Institute's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The availability of relevant market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During fiscal-years 2018 and 2017, there were no transfers among the fair-value hierarchy levels.

The following tables summarize the fair values of the Institute's investments at each fiscal year-end, in accordance with ASC Topic 820 valuation fair-value levels:

	June 30, 2018				
	Amounts Within Fair Value Hierarchy				
	Level 1	Level 3	Total	Measured at NAV	Total
Cash equivalents	**$ 1,642,060**		**$ 1,642,060**		**$ 1,642,060**
Equity securities	**2,147,281**		**2,147,281**		**2,147,281**
Mutual funds - equity securities	**2,958,753**		**2,958,753**		**2,958,753**
Mutual funds - fixed-income	**1,467,816**		**1,467,816**		**1,467,816**
Mutual funds - ETFs	**5,916,807**		**5,916,807**		**5,916,807**
Limited partnerships		**$ 1,165,899**	**1,165,899**	**$ 39,497,376**	**40,663,275**
Total	**$ 14,132,717**	**$ 1,165,899**	**$ 15,298,616**	**$ 39,497,376**	**$ 54,795,992**

	June 30, 2017				
	Amounts Within Fair Value Hierarchy				
	Level 1	Level 3	Total	Measured at NAV	Total
Cash equivalents	$ 566,309		$ 566,309		$ 566,309
Equity securities	2,018,725		2,018,725		2,018,725
Mutual funds - equity securities	2,122,651		2,122,651		2,122,651
Mutual funds - fixed-income	2,106,515		2,106,515		2,106,515
Mutual funds - ETFs	6,576,465		6,576,465		6,576,465
Limited partnerships		$ 1,380,778	1,380,778	$ 35,281,693	36,662,471
Total	$ 13,390,665	$ 1,380,778	$ 14,771,443	$ 35,281,693	$ 50,053,136

NOTE C - INVESTMENTS (CONTINUED)

The following tables summarize the changes in fair values of the Institute's Level 3 investments during each fiscal year:

	June 30, 2018	June 30, 2017
Limited Partnerships:		
Balance - beginning of year	**$ 1,380,778**	$ 4,217,950
Net purchases	**122,251**	148,690
Net sales	**(377,966)**	(2,896,189)
Net realized and unrealized losses	**40,836**	(89,673)
Balance - end of year	**$ 1,165,899**	$ 1,380,778

The following table lists investments in other investment companies by major category at June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds	**$ 11,499,866**	**$ 9,471,290**	N/A	N/A
Multiple hedge funds	**5,008,596**		Quarterly	30-60 Days
Multiple hedge fund	**8,412,899**		Monthly	30-90 Days
Fund-of-funds	**11,356,490**		Quarterly	95 Days
Fund-of-funds	**4,385,424**		Monthly	95 Days
	$ 40,663,275	**$ 9,471,290**		

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30, 2018	June 30, 2017
Office equipment	**$ 476,546**	$ 540,363
Leasehold improvements	**91,569**	205,372
	568,115	745,735
Less accumulated depreciation and amortization	**(357,054)**	(720,095)
	$ 211,061	$ 25,640

During fiscal-years 2018 and 2017, the Institute disposed of fully depreciated assets that were no longer in service with a cost basis of $403,656 and $11,088, respectively.

NOTE E - GRANTS AND FELLOWSHIPS PAYABLE

At each fiscal year-end, grants and fellowships payable consisted of the following:

	June 30,	
	2018	**2017**
Due to be paid within one years	**$ 30,888,428**	$ 32,597,513
Due to be paid between two and five years	**28,380,703**	22,525,116
	59,269,131	55,122,629
Less present value discount of 1% to 2%	**(359,986)**	(319,556)
	$ 58,909,145	$ 54,803,073

NOTE F - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily and permanently restricted net assets were allocated as follows:

	June 30,	
	2018	**2017**
Temporarily restricted net assets:		
Clinical and laboratory research	**$ 16,472,031**	$ 22,899,472
Combined federal campaign restricted for future periods	**195,660**	320,929
	$ 16,667,691	$ 23,220,401
Permanently restricted net assets:		
Fellowships	**$ 2,878,391**	$ 2,878,391
Other	**651,668**	632,797
	$ 3,530,059	$ 3,511,188

Included in temporarily restricted net assets for clinical and laboratory research is accumulated endowment income reserved for appropriation at both June 30, 2018 and 2017 of $237,406.

During each fiscal year, temporarily restricted net assets were released from restrictions in fulfillment of the following activities:

	Year Ended June 30,	
	2018	**2017**
Clinical and laboratory research	**$ 7,757,661**	$ 3,909,881
Combined federal campaign restricted for future periods	**320,929**	287,736
	$ 8,078,590	$ 4,197,617

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowment:

The Institute's endowment consists of individual funds established for a variety of purposes, consisting of both donor-restricted and Board-designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

The Institute adheres to NYPMIFA's requirements relating to its endowment funds.

[3] Endowment net-asset composition by type of fund, as of each fiscal year-end:

	June 30, 2018		
	Unrestricted	**Permanently Restricted**	**Total**
Donor-restricted endowment funds		**$ 3,530,059**	**$ 3,530,059**
Board-designated endowment funds	**$ 4,172,232**		**4,172,232**
Total funds	**$ 4,172,232**	**$ 3,530,059**	**$ 7,702,291**

	June 30, 2017		
	Unrestricted	**Permanently Restricted**	**Total**
Donor-restricted endowment funds		$ 3,511,188	$ 3,511,188
Board-designated endowment funds	$ 3,738,576		3,738,576
Total funds	$ 3,738,576	$ 3,511,188	$ 7,249,764

[4] Changes in endowment net assets, during each fiscal year:

	Year Ended June 30, 2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ 3,738,576**	**$ 237,406**	**$ 3,511,188**	**$ 7,487,170**
Investment return:				
Investment income	**23,110**	**19,705**		**42,815**
Net appreciation (depreciation) (realized and unrealized)	**382,646**	**224,399**	**18,871**	**625,916**
Total investment return	**405,756**	**244,104**	**18,871**	**668,731**
Contributions	**27,900**			**27,900**
Appropriation of endowment assets for expenditure endowment funds		**(244,104)**		**(244,104)**
Endowment net assets, end of year	**$ 4,172,232**	**$ 237,406**	**$ 3,530,059**	**$ 7,939,697**

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[4] Changes in endowment net assets, during each fiscal year: (continued)

	Year Ended June 30, 2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ 3,249,328	$ 237,406	$ 3,479,994	$ 6,966,728
Investment return:				
Investment income	20,852	10,017		30,869
Net appreciation (depreciation) (realized and unrealized)	445,096	383,272	31,194	859,562
Total investment return	465,948	393,289	31,194	890,431
Contributions	23,300			23,300
Appropriation of endowment assets for expenditure endowment funds		(393,289)		(393,289)
Endowment net assets, end of year	$ 3,738,576	$ 237,406	$ 3,511,188	$ 7,487,170

Temporarily restricted endowment represents that portion of allocated investment income, derived from permanently restricted endowment assets, that has not yet been appropriated for expenditure by the Board of Trustees.

[5] Return objectives and risk parameters:

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other functions supported by its Board-designated endowment, while seeking to maintain the purchasing power of the board-designated endowment assets. Under this policy, as approved by the Board of Trustees, the Board-designated endowment assets are invested in a manner that is intended to produce results that obtain a better rate of return than the major investment indexes. The two donor-restricted funds (other than the perpetual trust) generate income that is fully utilized each year for their specified programmatic activities.

[6] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Institute relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation within prudent risk constraints.

[7] Spending policy and related objectives:

The Board of Trustees' authorized spending from the Institute's investment pool (for restricted funds and for general operations) is to be limited to 5% of the average market value of the Institute's investment portfolio over the preceding three years. In establishing this policy, the Institute considered the long-term expected return on its investment. Accordingly, over the long term, the Institute expects the current spending policy to allow its portfolio to maintain the purchasing power of the Board-designated endowment assets, as well as to provide additional real growth through investment returns.

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[8] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar-value of the donor's original permanently restricted contribution. Under the terms of NYPMIFA, the Institute has no responsibility to restore such decreases in value. There were no such deficiencies at June 30, 2018 and 2017.

NOTE H - PROGRAM AND SUPPORTING SERVICES EXPENSES

During each fiscal year, total expenses were allocated among program and supporting services as follows:

	Year Ended June 30,	
	2018	**2017**
Program services	**$ 26,484,005**	$ 21,199,399
Management and general	**3,091,844**	4,379,455
Marketing and development	**2,495,691**	3,161,670
	$ 32,071,540	$ 28,740,524

The above expenses are inclusive of expenses that have been reported net of revenue in the accompanying statements of activities. The investment expenses, as disclosed in Note C, and rental expenses, are reported as management and general expenses. In addition, special events expenses are reported in the above table as marketing and development.

NOTE I - ALLOCATION OF JOINT COSTS OF INFORMATION MATERIALS

The Institute incurred joint costs in the placement of advertisements amounted to $33,630 and $37,396 in fiscal-years 2018 and 2017, respectively. The Institute allocated such costs as follows:

	June 30,	
	2018	**2017**
Marketing and development	**$ 16,814**	$ 19,531
Science, medical and research information and communications	**16,816**	17,865
	$ 33,630	$ 37,396

NOTE J - EMPLOYEE-BENEFIT PLAN

The Institute has a defined-contribution retirement plan, which provides for the Institute to make monthly contributions of at least 5% of the compensation of eligible employees. In addition, the Institute may contribute to the plan a discretionary amount equal to a percentage of compensation which is to be determined each plan-year by the Institute. The plan also allows the participants to make voluntary contributions up to the maximum allowed by federal tax law. During fiscal-years 2018 and 2017, the Institute contributed amounts of approximately $232,000 and $204,000, respectively, to the plan.

NOTE K - CONCENTRATION OF CREDIT RISK

The Institute maintains its cash balance at a few major financial institutions in New York City in amounts which, at times, may be in excess of federally insured limits. Management believes that the Institute faces no significant risk of loss relating to a failure of these financial institutions.

NOTE L - FINANCIAL INVESTMENT

In 2010, the Institute entered into a joint venture with the Ludwig Institute for Cancer Research Ltd. and formed a U.S. company named Cancer Vaccine Acceleration Company, LLC ("CVAC"). The members' initial capital contribution was $200. The purpose of the company is to obtain, hold, and develop intellectual property and other assets related to research and development of a vaccine for cancer in furtherance of the respective charitable missions of the members. The Institute believes that at present, the value of this investment is not material.

NOTE M - LEASE OBLIGATION

The Institute is obligated under a lease agreement for office space which expired in August 2017. The lease was amended in 2008 to include additional space, of which a portion had been sublet. In January 2017, the Institute has also entered into a 124-month lease agreement for new office space expiring in January 2028. The lease is subject to escalation for the Institute's pro-rata share of increases in real estate taxes and operating expenses. Concurrent with the authorization of the lease agreement, the Institute entered into a sublease agreement for a portion of its new office space also expiring in January 2028. In September 2017, the Institute entered into lease agreements for office equipment, which expire in September 2022. Minimum future lease payments net of rental income are as follows:

Year Ending June 30,	Rental Expense	Rental Income	Net
2019	$ 545,756	$ (126,165)	$ 419,591
2020	545,756	(126,165)	419,591
2021	545,756	(126,165)	419,591
2022	545,756	(126,165)	419,591
2023	554,071	(134,051)	420,020
Thereafter	2,552,193	(626,445)	1,925,748
Total	$ 5,289,288	$(1,265,156)	$ 4,024,132