

# **American Brain Tumor Association**

## **Financial Statements and Independent Auditors' Report**

**June 30, 2018 and 2017**

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# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
American Brain Tumor Association  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the American Brain Tumor Association (the "ABTA") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 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.

### **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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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**Auditors' Responsibility** (Continued)

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 ABTA 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.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MILLER, COOPER & CO., LTD.



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Certified Public Accountants

Deerfield, Illinois  
October 31, 2018

## **FINANCIAL STATEMENTS**

**American Brain Tumor Association**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2018 and 2017

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<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,117,346	\$ 1,859,765
Restricted cash equivalents	148,782	148,708
Investments	2,210,891	2,197,669
Receivables		
Grants, net of discount of \$1,695 and \$0 in 2018 and 2017, respectively	32,305	30,000
Other	33,536	40,315
Inventory	19,457	31,556
Prepays and deposits	<u>113,620</u>	<u>108,832</u>
Total current assets	<u>4,675,937</u>	<u>4,416,845</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<u>351,513</u>	<u>322,969</u>
<b>OTHER ASSETS</b>		
Grants receivable, less current portion, net of discount of \$2,639 and \$0 in 2018 and 2017, respectively	41,361	-
Security deposit	<u>12,225</u>	<u>12,225</u>
	<u>53,586</u>	<u>12,225</u>
	<u>\$ 5,081,036</u>	<u>\$ 4,752,039</u>

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The accompanying notes are an integral part of these statements.

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<u>LIABILITIES AND NET ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 65,080	\$ 146,215
Accrued expenses	57,586	54,994
Grants payable	480,400	325,900
Current portion of deferred rent	22,454	18,807
Unearned revenues	<u>186,403</u>	<u>112,723</u>
Total current liabilities	<u>811,923</u>	<u>658,639</u>
<b>LONG-TERM LIABILITIES</b>		
Grants payable, less current portion	50,000	200,000
Deferred rent, less current portion	<u>159,368</u>	<u>181,822</u>
Total long-term liabilities	<u>209,368</u>	<u>381,822</u>
<b>NET ASSETS</b>		
Unrestricted	3,700,264	3,358,803
Temporarily restricted	<u>359,481</u>	<u>352,775</u>
Total net assets	<u>4,059,745</u>	<u>3,711,578</u>
	<u>\$ 5,081,036</u>	<u>\$ 4,752,039</u>

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**American Brain Tumor Association**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues</b>						
Contributions	\$ 2,094,331	\$ 746,912	\$ 2,841,243	\$ 1,953,525	\$ 863,800	\$ 2,817,325
Donated goods and services	151,496	-	151,496	74,576	-	74,576
Contributions from fundraising activities	2,417,174	-	2,417,174	2,322,144	-	2,322,144
Fundraising activities, net of direct costs of \$510,086 in 2018 and \$486,815 in 2017	341,427	-	341,427	349,546	-	349,546
Inventory sales, net of cost of goods sold of \$16,239 in 2018 and \$18,213 in 2017	9,198	-	9,198	8,133	-	8,133
Interest income	62,141	-	62,141	50,139	-	50,139
Net realized and change in unrealized gain on investments	69,218	-	69,218	148,105	-	148,105
Other income	18,610	-	18,610	44,964	-	44,964
Net assets released from restrictions	740,206	(740,206)	-	982,573	(982,573)	-
<b>Total revenues</b>	<b>5,903,801</b>	<b>6,706</b>	<b>5,910,507</b>	<b>5,933,705</b>	<b>(118,773)</b>	<b>5,814,932</b>
<b>Expenses</b>						
Program services	4,478,675	-	4,478,675	4,549,627	-	4,549,627
Fundraising	773,465	-	773,465	809,082	-	809,082
Management and general	310,200	-	310,200	338,672	-	338,672
<b>Total expenses</b>	<b>5,562,340</b>	<b>-</b>	<b>5,562,340</b>	<b>5,697,381</b>	<b>-</b>	<b>5,697,381</b>
<b>CHANGE IN NET ASSETS</b>	<b>341,461</b>	<b>6,706</b>	<b>348,167</b>	<b>236,324</b>	<b>(118,773)</b>	<b>117,551</b>
Net assets, beginning of year	3,358,803	352,775	3,711,578	3,122,479	471,548	3,594,027
Net assets, end of year	<u>\$ 3,700,264</u>	<u>\$ 359,481</u>	<u>\$ 4,059,745</u>	<u>\$ 3,358,803</u>	<u>\$ 352,775</u>	<u>\$ 3,711,578</u>

Miller Cooper & Co., Ltd.

The accompanying notes are an integral part of these statements.



**American Brain Tumor Association**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 348,167	\$ 117,551
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	89,265	87,334
Contributed property and equipment	(52,650)	-
Deferred rent - straight-line expense	99,051	100,382
Net realized and change in unrealized gains on investments	(69,218)	(148,105)
(Increase) decrease in assets		
Restricted cash equivalents	(74)	29,922
Grants receivable	(43,666)	(5,000)
Other receivables	6,779	(29,748)
Inventory	12,099	4,777
Prepays and deposits	(4,788)	(19,178)
Increase (decrease) in liabilities		
Accounts payable	(81,135)	24,399
Accrued expenses	2,592	6,615
Grants payable	4,500	308,900
Deferred rent	(117,858)	(114,223)
Unearned revenues	73,680	(2,202)
Net cash provided by operating activities	<u>266,744</u>	<u>361,424</u>
Cash flows from investing activities		
Sales of investments	748,509	4,342,773
Purchases of investments	(692,513)	(4,361,121)
Purchases of property and equipment	(65,159)	(36,898)
Net cash used in investing activities	<u>(9,163)</u>	<u>(55,246)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	257,581	306,178
Cash and cash equivalents, beginning of year	<u>1,859,765</u>	<u>1,553,587</u>
Cash and cash equivalents, end of year	<u>\$ 2,117,346</u>	<u>\$ 1,859,765</u>

The accompanying notes are an integral part of these statements.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE A - NATURE OF ASSOCIATION

The American Brain Tumor Association (the "ABTA"), a not-for-profit association, is a national independent organization dedicated to funding brain tumor research and providing patient services and education. The ABTA solicits contributions and grants from individuals, trusts, corporations, and other not-for-profit organizations throughout the United States of America.

In order to attain the above stated goals, the ABTA awards basic research fellowships, translational, project grants and collaborative research grants based on the recommendations of its distinguished Scientific Advisory Council. The ABTA provides patient services, including educational literature that explains relevant medical terms, basic information about the brain and brain tumors and treatment options.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements of the ABTA have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

2. Cash Equivalents

For purposes of the statement of cash flows, the ABTA considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

3. Restricted Cash Equivalents

The restricted cash equivalents balances of \$148,782 and \$148,708 as of June 30, 2018 and 2017, respectively, consist of contributions that are restricted for research and are required by the donors to be deposited in separate bank accounts. These funds are invested in money market funds and are included in temporarily restricted net assets (see Note J).

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Investments

Investments consist of fixed income and equity securities and mutual funds that are primarily stated at fair values using quoted prices in active markets in the statements of financial position. Interest and dividends earned and realized and unrealized gains and losses on investments are included in operating revenues in the accompanying statements of activities. Investment-related income is reported net of management fees of \$23,036 and \$15,416 for 2018 and 2017, respectively.

5. Grants and Other Receivables

Grants and other receivables, which include unconditional promises to give, are measured at their fair values and are reported as increases in net assets and receivables if not yet received. Management deems all receivables to be fully collectible.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

6. Inventory

During the year ended June 30, 2018, the ABTA adopted Accounting Standards Update ("ASU") No. 2015-11, Inventory (Topic 330): *Simplifying the Measurement of Inventory*. Accordingly, inventory is valued at the lower of cost (on a first-in, first out basis) or net realizable value. Net realizable value is defined as estimated selling prices in the ordinary course of business less reasonably predictable costs of disposal and transportation. Potential losses from obsolete and slow-moving inventories are recorded when identified. As of June 30, 2017, the ABTA's inventories were stated at the lower of cost or market.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Property and Equipment

Property and equipment is stated at cost if purchased. Contributed assets are calculated at their estimated fair market value on the date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of three to fifteen years.

Leasehold improvements are amortized over the shorter of its lease term or useful life.

8. Revenue Recognition

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are designated for future periods, or restricted by the donor for specific purposes, are reported as increases in temporarily or permanently restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. At June 30, 2018 and 2017, there were no permanently restricted net assets.

Fundraising Activities

Sponsorships, registration fees, and other revenues received from ABTA and non-ABTA sponsored events are included in the statements of activities as fundraising activities and are presented as net against the related fundraising activity expenses.

9. Advertising

The ABTA expenses advertising costs as incurred. Total advertising expense was \$95,209 and \$114,219 for the years ended June 30, 2018 and 2017, respectively.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Tax Status

The ABTA is exempt from income taxes under 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of American (GAAP) requires management to evaluate tax positions by the ABTA and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities.

Management has analyzed the tax position taken by the ABTA, and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The ABTA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

11. Donated Items and Services

The ABTA recognizes the estimated fair value of donated items and services as both revenue and expense if either (a) a nonfinancial asset is created or enhanced or (b) the ABTA would have more likely than not purchased the service if not otherwise provided. In 2018 and 2017, donated items and service revenues of approximately \$152,000 and \$75,000, respectively, were recognized as donated services in the accompanying statements of activities related to the creation of internal policies and strategies regarding the Board of Directors as well as website enhancements. These services were valued at the fair value of the services provided if they had been purchased.

The ABTA also receives donated services from a variety of unpaid volunteers assisting with fundraising activities. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts under applicable accounting literature have not been satisfied.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Grants Payable

Grants payable represent unconditional promises to give cash and are recorded as liabilities when they are authorized by the Board of Directors. Grants that are payable in one year or less are recorded at their net settlement value. Grants that are payable in greater than one year are recorded at fair value using the net present value of their corresponding future cash flows. Discounts on grants payable, based on risk-adjusted interest rates, are amortized over the term of those grants and are recorded as grant expense and included in program expenses in the accompanying statements of activities. There were no conditional promises to give as of June 30, 2018 and 2017, respectively.

13. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

14. Fair Value of Financial Instruments

The ABTA adopted the accounting standard that establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the accounting standard are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the ABTA has the ability to access.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Fair Value of Financial Instruments (Continued)

Level 2 Inputs to the valuation methodology include the following:

- \* Quoted prices for similar assets or liabilities in active markets;
- \* Quoted prices for identical or similar assets or liabilities in inactive markets;
- \* Inputs other than quoted prices that are observable for the asset or liability;
- \* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the ABTA's financial instruments measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

*Cash equivalents, other receivables, accounts payable, accrued expenses, and unearned revenues:* Approximate fair value due to the nature or short maturity of these instruments.

*Grants receivable and grants payable:* Approximate fair value because the interest rate used to calculate the discounts is based on current market rates on similar financing arrangements.

*Equities, mutual funds, exchange-traded, and limited partnership:* Valued at the closing price reported on the active market on which the individual securities are traded.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**14. Fair Value of Financial Instruments (Continued)**

*Corporate and municipal bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mortgage-backed securities:* Valued at fair value using discounted cash flow models and inputs related to interest rates, prepayment speeds, loss curves and market discount rates that would be required by investors in the current market given the specific characteristics and inherent credit risk of underlying collateral.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the ABTA believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the ABTA's investments at fair value as of June 30, 2018 and 2017.

	Investments at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mortgage-backed securities	\$ -	\$ 156	\$ -	\$ 156
Exchange-traded funds	1,419,075	-	-	1,419,075
Mutual funds	791,660	-	-	791,660
Investments, at fair value	\$ 2,210,735	\$ 156	\$ -	\$ 2,210,891



**American Brain Tumor Association**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

14. Fair Value of Financial Instruments (Continued)

	Investments at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Mortgage-backed securities	\$ -	\$ 191	\$ -	\$ 191
Exchange-traded funds	1,338,577	-	-	1,338,577
Mutual funds	858,901	-	-	858,901
Investments, at fair value	\$ 2,197,478	\$ 191	\$ -	\$ 2,197,669

It is the ABTA's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to the financial statements.

15. Functional Allocation of Expenses

Expenses that can be specifically identified with program, fundraising, and management and general activities are charged directly to those categories. The ABTA allocates certain remaining administrative expenses, such as salary costs, amongst these categories based on management's best estimate of time incurred, historical experience, and programs benefited.

16. Significant Accounting Standards Applicable in Future Years

Presentation of Financial Statements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 is intended to reduce complexity by changing the way all not-for-profits classify net assets and prepare financial statements, which will result in more consistent and transparent financial reporting and disclosures for not-for-profits. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The amendments in ASU 2016-14 should be applied retrospectively in the year the ASU is first applied.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Significant Accounting Standards Applicable in Future Years (Continued)

*Presentation of Financial Statements (Continued)*

ASU 2016-14 is effective for the ABTA's December 31, 2018 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-14 will have on the ABTA's financial statements.

*Revenue Recognition*

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606) (ASU 2014-09), in May 2014. ASU 2014-09 sets forth a new five-step revenue recognition model that will require the use of more estimates and judgment. ASU 2014-09 will replace current revenue recognition requirements in Topic 605, *Revenue Recognition*, in its entirety. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. ASU 2014-09 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and should be applied retrospectively in the year the ASU is first applied using one of two allowable application methods.

ASU 2014-09 is effective for the ABTA's December 31, 2019 financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 will have on the ABTA's financial statements.

*Contributions Received and Contributions Made*

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) in June 2018. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The amendments also provide more guidance on determining whether a contribution is conditional.

ASU 2018-08 is effective for the ABTA's December 31, 2019 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the ABTA's financial statements.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Significant Accounting Standards Applicable in Future Years (Continued)

Leases

The FASB issued ASU 2016-02, *Leases*, (Topic 842) (ASU 2016-02), in February 2016. ASU 2016-02 will require lessees to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use or control the use of a specific asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and should be applied using a modified retrospective approach.

ASU 2016-02 is effective for the ABTA's December 31, 2020 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the ABTA's financial statements.

NOTE C - INVESTMENTS

Investments consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mortgage-backed securities	\$ 153	\$ 156	\$ 191	\$ 191
Exchange-traded funds	1,300,007	1,419,075	1,251,483	1,338,577
Mutual funds	<u>756,582</u>	<u>791,660</u>	<u>789,122</u>	<u>858,901</u>
	<u>\$ 2,056,741</u>	<u>\$ 2,210,891</u>	<u>\$ 2,040,796</u>	<u>\$ 2,197,669</u>

At June 30, 2018 and 2017, \$11,659 and \$26,195 of cash and cash equivalents were included in the investment brokerage account, respectively, which are included in cash and cash equivalents on the statement of financial position.

**American Brain Tumor Association**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

**NOTE C - INVESTMENTS** (Continued)

At June 30, 2018, fixed income investments mature in the following years:

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		<u>156</u>
	\$	<u><u>156</u></u>

Investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near-term would affect investment balances and the amounts reported in the financial statements.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 145,594	\$ 144,220
Computer software and equipment	430,392	313,957
Leasehold improvements	<u>273,785</u>	<u>273,785</u>
	849,771	731,962
Less accumulated depreciation	<u>498,258</u>	<u>408,993</u>
Property and equipment, net	<u><u>\$ 351,513</u></u>	<u><u>\$ 322,969</u></u>

**NOTE E - GRANTS RECEIVABLE**

Outstanding grants receivable totaled \$73,666 and \$30,000 as of June 30, 2018 and June 30, 2017, respectively.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE E - GRANTS RECEIVABLE (Continued)

Future collections of grants receivable are anticipated as follows as of June 30, 2018:

Fiscal year ending June 30,	
2019	\$ 34,000
2020	24,000
2021	10,000
2022	<u>10,000</u>
	78,000
Discount	<u>(4,334)</u>
	<u>\$ 73,666</u>

The discount rate used was 4.75% and \$0 for contributions received during the years ended June 30, 2018 and 2017, respectively.

During the fiscal year ended June 30, 2017, the ABTA was awarded a \$44,000 matching grant to fund the Alumni Research Network Meeting for up to \$44,000 over two years. For every \$1 in donations, the donor would contribute up to \$22,000 each year. The ABTA received approval to use restricted funds, totaling \$30,000 to count towards the match and \$30,000 was recorded as a grant receivable as of June 30, 2017 and paid in 2018.

NOTE F - CONDITIONAL GRANT RECEIVABLE

In 2017, the ABTA was awarded a conditional grant, to be used for the Discovery Grant Program, in an amount up to \$400,000 for the period October 27, 2017 through October 26, 2019. For every \$1 of donations from new private donors, and every \$1 of incremental donations from current private donors, the grantor will award \$1 to the ABTA, up to a maximum of \$50,000 per donor per year and up to a maximum of \$200,000 per year for two years in total. Contribution revenue of \$200,000 related to this grant was recorded and paid in 2018.

**American Brain Tumor Association**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018 and 2017

**NOTE G - NOTE PAYABLE, BANK**

The ABTA has an agreement with a bank for a \$250,000 line of credit, with interest at the prime rate (5.00% at June 30, 2018) plus 0.25%, which expires on November 26, 2018. The line of credit is collateralized by all assets of the ABTA. There was no outstanding balance on the line of credit at June 30, 2018 and 2017, respectively.

**NOTE H - GRANTS PAYABLE**

The ABTA provides grants for brain tumor research.

Amounts expected to be paid in the future are as follows for the years ending June 30:

2019	\$	480,400
2020		<u>50,000</u>
	\$	<u><u>530,400</u></u>

**NOTE I - DEFERRED RENT**

As of June 30, 2018 and 2017, deferred rent consisted of the following:

	<u>2018</u>	<u>2017</u>
Landlord-financed leasehold improvements and additional allowances	\$ 93,458	\$ 112,265
Straight-line expense in excess of rent payments	<u>88,364</u>	<u>88,364</u>
	181,822	200,629
Less current portion	<u>22,454</u>	<u>18,807</u>
	<u><u>\$ 159,368</u></u>	<u><u>\$ 181,822</u></u>

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

**NOTE J - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes as of June 30, 2018 and 2017:

	2018	2017
Research	\$ 170,973	\$ 215,355
Publications	24,530	5,555
Patient services	126,963	6,978
Others	37,015	124,887
	\$ 359,481	\$ 352,775

Temporarily restricted net assets were released from restrictions for the following purposes during 2018 and 2017:

	2018	2017
Research	\$ 535,718	\$ 897,781
Publications	5,025	20,000
Patient Services	79,592	44,322
Others	119,871	20,470
	\$ 740,206	\$ 982,573

**NOTE K - RETIREMENT PLAN**

The ABTA maintains a 401(k) defined contribution plan for all eligible employees. Contributions are made solely through elective deferrals by the employee through salary reduction agreements. The ABTA matches 50% of employee contributions up to a maximum of 6% of the employee's compensation. The ABTA contributed \$29,800 and \$38,726 to the plan in 2018 and 2017, respectively.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE L - COMMITMENTS AND CONTINGENCIES

1. Fellowships

The ABTA is committed to fund fellowships for brain tumor research. Most commitments are payable semiannually over a two-year period and are contingent on the respective recipients continuing the research for which they originally were awarded the fellowship. As the commitments are contingent, no related liability has been recorded at June 30, 2018 and 2017.

Amounts expected to be paid are as follows for the years ending June 30:

2019	\$	233,981
2020		240,000
2021		<u>25,000</u>
	\$	<u><u>498,981</u></u>

2. Office Lease

The ABTA leases office space in Chicago, Illinois, under a noncancelable operating lease agreement expiring on May 31, 2024. The lease agreement includes renewal options.

For financial reporting purposes, lease expense is recognized on a straight-line basis over the term of the lease. The excess of rent and amortization expense over cash paid is shown as a deferred rent liability in the accompanying statements of financial position (see Note I).



**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

2. Office Lease (Continued)

The future minimum lease payments required under this agreement, that has initial or remaining noncancelable terms in excess of one year, are as follows:

<u>Year ending June 30:</u>	
2019	\$ 121,505
2020	125,151
2021	130,915
2022	158,061
2023	162,775
Thereafter	<u>153,153</u>
	<u>\$ 851,560</u>

Total rent expense, which included common area maintenance related expenses of \$78,261 and \$63,275, was \$214,903 and \$199,917 for the years ended June 30, 2018 and 2017, respectively.

NOTE M - CONCENTRATION OF CREDIT RISK

The ABTA maintains its cash balances at various financial institutions located in Illinois. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The ABTA may, from time to time, have balances in excess of FDIC insured deposit limits. At June 30, 2018, the ABTA had cash balances in excess of these insured deposit limits.

NOTE N - RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2017 financial statements to conform to the June 30, 2018 presentation. The reclassifications have no effect on the changes in net assets in the financial statements.

**American Brain Tumor Association**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2018, the date that these financial statements were available to be issued. Management has determined that no events or transactions other than the event noted below have occurred subsequent to the statement of financial position date that require disclosure in the financial statements.

Effective, July 1, 2018, ABTA's Board of Directors has approved a motion to move from a fiscal year-end (June 30<sup>th</sup>) to a calendar year end (December 31<sup>st</sup>). In addition, the ABTA has amended its by laws to reflect this change, effective January 1, 2019.

## **SUPPLEMENTAL INFORMATION**

**American Brain Tumor Association**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2018

Program Services

Miller Cooper & Co., Ltd.

	Medical & Scientific Research Grants	Patient & Caregiver Support	Public Education & Awareness	Healthcare / Professional Outreach	Total	Fundraising	Management and General	Total
Grants and other assistance to organizations	\$ 56,815	\$ -	\$ -	\$ -	\$ 56,815	\$ -	\$ -	\$ 56,815
Grants and other assistance to individuals	1,085,386	114,066	-	9,196	1,208,648	-	-	1,208,648
Employee expenses								
Compensation of current officers	187,440	52,965	676	14,291	255,372	-	45,066	300,438
Other salaries and wages	952,201	399,542	5,110	107,684	1,464,537	189,774	28,894	1,683,205
Employee benefit plans	15,008	6,112	78	1,647	22,845	4,347	2,608	29,800
Health insurance	97,894	43,282	554	11,664	153,394	29,322	17,593	200,309
Payroll taxes	56,716	28,209	361	7,601	92,887	68,574	7,167	168,628
Fees for services	328,052	108,534	1,277	27,436	465,299	148,348	122,658	736,305
Advertising and promotion	51,896	20,127	365	11,479	83,867	86,858	-	170,725
Office expenses	152,787	51,182	815	13,530	218,314	97,059	40,863	356,236
Information technology	220,066	69,189	2,346	17,706	309,307	60,484	10,918	380,709
Travel	24,372	16,054	39	15,468	55,933	45,994	1,750	103,677
Conferences/conventions/meetings	15,617	7,465	74	9,649	32,805	14,386	3,169	50,360
Depreciation	39,312	11,109	142	2,997	53,560	22,316	13,390	89,266
Insurance	-	-	-	-	-	4,313	2,588	6,901
Other expenses	3,737	1,057	13	285	5,092	1,690	13,536	20,318
	<u>\$ 3,287,299</u>	<u>\$ 928,893</u>	<u>\$ 11,850</u>	<u>\$ 250,633</u>	<u>\$ 4,478,675</u>	<u>\$ 773,465</u>	<u>\$ 310,200</u>	<u>\$ 5,562,340</u>

**American Brain Tumor Association**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2017

Miller Cooper & Co., Ltd.

	Program Services					Fundraising	Management and General	Total
	Medical & Scientific Research Grants	Patient & Caregiver Support	Public Education & Awareness	Healthcare / Professional Outreach	Total			
Grants and other assistance to organizations	\$ 56,260	\$ -	\$ -	\$ -	\$ 56,260	\$ -	\$ -	\$ 56,260
Grants and other assistance to individuals	1,184,003	72,044	-	10,972	1,267,019	-	-	1,267,019
Employee expenses								
Compensation of current officers	124,249	26,021	5,091	12,190	167,551	-	29,568	197,119
Other salaries and wages	1,091,438	322,119	63,661	150,639	1,627,857	169,493	42,717	1,840,067
Employee benefit plans	19,382	6,588	1,304	3,080	30,354	5,233	3,140	38,727
Health insurance	132,475	43,546	8,616	20,360	204,997	28,878	17,327	251,202
Payroll taxes	74,601	24,353	4,823	11,385	115,162	50,182	7,707	173,051
Fees for services	255,729	67,014	12,455	29,698	364,896	215,518	163,095	743,509
Advertising and promotion	65,673	27,512	15,461	15,344	123,990	89,062	-	213,052
Office expenses	128,476	51,097	14,538	25,416	219,527	94,069	43,086	356,682
Information technology	140,568	31,764	7,988	14,867	195,187	69,469	1,790	266,446
Travel	38,820	11,529	1,348	17,459	69,156	46,100	1,157	116,413
Conferences/conventions/meetings	22,040	14,343	1,256	13,808	51,447	14,970	2,815	69,232
Depreciation	38,858	8,138	1,592	3,812	52,400	21,834	13,100	87,334
Insurance	-	-	-	-	-	3,137	1,882	5,019
Other expenses	1,256	492	96	1,980	3,824	1,137	11,288	16,249
	<u>\$ 3,373,828</u>	<u>\$ 706,560</u>	<u>\$ 138,229</u>	<u>\$ 331,010</u>	<u>\$ 4,549,627</u>	<u>\$ 809,082</u>	<u>\$ 338,672</u>	<u>\$ 5,697,381</u>