Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Financial Report
June 30, 2017

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Contents

Independent Auditor's Report

To the Board of Directors
Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation (the Foundation), which comprise the balance sheet as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Foundation's 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
October 24, 2017

Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Balance Sheet
June 30, 2017
(with summarized comparative information as of June 30, 2016)

	2017	2016
Assets		
Cash and cash equivalents	**$ 6,367,687**	$ 5,039,012
Accounts receivable	**161,002**	338,183
Interest and dividends receivable	**168,558**	167,381
Prepaid expenses and other assets	**222,278**	262,302
Contributions and bequests receivable, net	**6,176,749**	8,837,678
Investments, at fair value	**122,903,540**	114,999,142
Amounts held in trust by others	**6,391,584**	5,965,826
Fixed assets, net	**20,472**	37,262
Total assets	**$ 142,411,870**	$ 135,646,786
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 446,459**	$ 427,077
Deferred revenue	**279,874**	234,679
Deposits for theater tickets	**903,861**	901,018
Fellowships and awards payable	**28,626,026**	28,253,769
Total liabilities	**30,256,220**	$ 29,816,543
Net assets:		
Unrestricted	**92,016,218**	80,897,866
Temporarily restricted	**14,549,052**	19,660,624
Permanently restricted	**5,590,380**	5,271,753
Total net assets	**112,155,650**	105,830,243
Total liabilities and net assets	**$ 142,411,870**	$ 135,646,786

See notes to financial statements.

Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Statement of Activities
Year Ended June 30, 2017
(with summarized financial information for the year ended June 30, 2016)

	2017				2016
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Total
Operating activities:					
Revenue:					
Contributions	**$ -**	**$ 9,140,821**	**$ -**	**$ 9,140,821**	$ 9,971,638
Theatre ticket revenue, net of donor benefit expense	**660,944**	**-**	**-**	**660,944**	460,730
Donated services	**748,552**	**-**	**-**	**748,552**	756,304
Bequests, net of related legal fees	**-**	**254,247**	**-**	**254,247**	202,014
Income from amounts held in trust by others	**241,939**	**-**	**-**	**241,939**	555,796
Miscellaneous income	**93,167**	**-**	**-**	**93,167**	40,906
Investment return allocated to operations (Note 3)	**3,350,641**	**-**	**-**	**3,350,641**	2,874,800
	5,095,243	**9,395,068**	**-**	**14,490,311**	14,862,188
Net assets released from restrictions	**15,674,468**	**(15,674,468)**	**-**	**-**	-
Total operating revenue	**20,769,711**	**(6,279,400)**	**-**	**14,490,311**	14,862,188
Operating expenses:					
Program services:					
Scientific awards:					
Fellowships awards	**7,108,554**	**-**	**-**	**7,108,554**	8,341,201
Sohn Pediatric awards	**814,312**	**-**	**-**	**814,312**	1,029,258
Physician-Scientist awards	**1,877,011**	**-**		**1,877,011**	2,299,611
Dale Frey awards	**298,847**	**-**	**-**	**298,847**	400,000
Clinical investigator awards	**3,247,744**	**-**	**-**	**3,247,744**	3,289,973
Rachleff innovation awards	**2,100,000**	**-**	**-**	**2,100,000**	2,095,834
Total scientific awards	**15,446,468**	**-**	**-**	**15,446,468**	17,455,877
Other program expense	**1,732,634**	**-**	**-**	**1,732,634**	1,828,246
Total program service	**17,179,102**	**-**	**-**	**17,179,102**	19,284,123
Supporting services:					
Management and general	**542,047**	**-**	**-**	**542,047**	564,582
Fund-raising	**3,048,562**	**-**	**-**	**3,048,562**	2,295,708
Total supporting services	**3,590,609**	**-**	**-**	**3,590,609**	2,860,290
Total operating expenses	**20,769,711**	**-**	**-**	**20,769,711**	22,144,413
Decrease in net assets from operations	**-**	**(6,279,400)**	**-**	**(6,279,400)**	(7,282,225)
Nonoperating activities:					
Investment (loss) return greater than amount appropriated for operations (Note 3)	**11,107,291**	**1,046,122**	**-**	**12,153,413**	(6,039,218)
Change in value of charitable remainder trusts	**-**	**121,706**	**-**	**121,706**	(20,531)
Change in value of perpetual trusts	**-**	**-**	**329,688**	**329,688**	(338,615)
Net assets repurposed due to trust termination	**11,061**	**-**	**(11,061)**	**-**	-
Total nonoperating activities	**11,118,352**	**1,167,828**	**318,627**	**12,604,807**	(6,398,364)
Increase (decrease) in net assets	**11,118,352**	**(5,111,572)**	**318,627**	**6,325,407**	(13,680,589)
Net assets:					
Beginning	**80,897,866**	**19,660,624**	**5,271,753**	**105,830,243**	119,510,832
Ending	**$ 92,016,218**	**$ 14,549,052**	**$ 5,590,380**	**$ 112,155,650**	$ 105,830,243

See notes to financial statements.

Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Statement of Functional Expenses
Year Ended June 30, 2017
(with summarized financial information for the year ended June 30, 2016)

	2017					2016
		Supporting Services				
	Program Services	**Management and General**	**Fundraising**	**Total Supporting Services**	**Total**	Comparative
Salaries and wages	**$ 602,966**	**$ 284,727**	**$ 1,177,377**	**$ 1,462,104**	**$ 2,065,070**	$ 1,857,032
Employee benefits	**108,339**	**51,159**	**211,546**	**262,705**	**371,044**	343,223
Payroll taxes	**33,536**	**15,836**	**65,484**	**81,320**	**114,856**	103,883
	744,841	**351,722**	**1,454,407**	**1,806,129**	**2,550,970**	2,304,138
Fellowships awards	**7,108,554**	**-**	**-**	**-**	**7,108,554**	8,341,201
Sohn pediatric awards	**814,312**	**-**	**-**	**-**	**814,312**	1,029,258
Physician-scientist awards	**1,877,011**	**-**	**-**	**-**	**1,877,011**	2,299,611
Dale Frey awards	**298,847**	**-**	**-**	**-**	**298,847**	400,000
Clinical investigator awards	**3,247,744**	**-**	**-**	**-**	**3,247,744**	3,289,973
Rachleff innovation awards	**2,100,000**	**-**	**-**	**-**	**2,100,000**	2,095,834
Advisory committee and award panel services including donated services of $303,000 and $312,000 as of June 30, 2017 and 2016, respectively	**533,322**	**-**	**-**	**-**	**533,322**	559,398
Fellows retreat	**139,999**	**-**	**-**	**-**	**139,999**	134,668
Professional fees	**89,932**	**42,467**	**175,604**	**218,071**	**308,003**	284,450
Stationary and supplies	**39,465**	**18,636**	**77,061**	**95,697**	**135,162**	142,591
Telephone	**8,459**	**3,994**	**16,517**	**20,511**	**28,970**	25,190
Postage	**8,615**	**4,068**	**16,822**	**20,890**	**29,505**	33,014
Occupancy	**113,460**	**53,577**	**221,546**	**275,123**	**388,583**	428,410
Insurance	**11,674**	**5,512**	**22,794**	**28,306**	**39,980**	48,025
Printing and publications	**-**	**26,615**	**110,057**	**136,672**	**136,672**	233,104
Depreciation	**5,523**	**2,608**	**10,784**	**13,392**	**18,915**	18,692
Tax expense	**-**	**214**	**-**	**214**	**214**	2,871
Special events	**-**	**-**	**870,049**	**870,049**	**870,049**	368,825
Bad debt	**-**	**15,000**	**-**	**15,000**	**15,000**	-
Miscellaneous	**37,344**	**17,634**	**72,921**	**90,555**	**127,899**	105,160
Total operating expenses	**17,179,102**	**542,047**	**3,048,562**	**3,590,609**	**20,769,711**	22,144,413
Donated investment services	**-**	**445,552**	**-**	**445,552**	**445,552**	444,304
Donor benefit expenses:						
Theatre tickets	**-**	**-**	**787,298**	**787,298**	**787,298**	710,908
Total expenses	**$ 17,179,102**	**$ 987,599**	**$ 3,835,860**	**$ 4,823,459**	**$ 22,002,561**	$ 23,299,625

See notes to financial statements.

Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation

Statement of Cash Flows
Year Ended June 30, 2017
(with summarized comparative information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ 6,325,407**	$ (13,680,589)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	**18,915**	18,692
Deferred rent obligation	**(56,340)**	(46,712)
Bad debt expense	**15,000**	-
Net change in fair value of investments	**(13,967,244)**	4,712,228
Change in value of perpetual and charitable remainder trusts	**(451,394)**	359,145
Settlement of charitable remainder trusts	**25,636**	176,653
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	**177,181**	(291,867)
(Increase) decrease in interest and dividends receivable	**(1,177)**	53,068
Decrease (increase) in prepaid expenses and other assets	**40,024**	(74,965)
Decrease in contributions and bequests receivable	**2,645,929**	555,639
Increase (decrease) in accounts payable and accrued expenses	**75,722**	(14,920)
Increase in deferred revenue	**45,195**	21,079
Increase in deposits for theater tickets	**2,843**	5,838
Increase in awards payable	**372,257**	3,921,115
Net cash used in operating activities	**(4,732,046)**	(4,285,596)
Cash flows from investing activities:		
Purchase of investments	**(65,946,532)**	(124,975,173)
Proceeds from sale of investments	**72,009,378**	128,745,979
Purchase of fixed assets	**(2,125)**	(1,347)
Net cash provided by investing activities	**6,060,721**	3,769,459
Increase (decrease) in cash and cash equivalents	**1,328,675**	(516,137)
Cash and cash equivalents:		
Beginning	**5,039,012**	5,555,149
Ending	**$ 6,367,687**	$ 5,039,012

See notes to financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

The Cancer Research Fund of the Damon Runyon - Walter Winchell Foundation, d/b/a Damon Runyon Cancer Research Foundation (the Foundation), was incorporated in 1947. Its mission is to accelerate breakthroughs by identifying the most brilliant, creative and driven young scientists and providing them with funding to pursue innovative new approaches to cancer because we need bold, fresh new ideas to conquer this complex set of diseases. Damon Runyon funds the most talented early career researchers working across the entire spectrum of research, from discovery science to clinical trials, with the goal of accelerating the translation of scientific discoveries into new ways to prevent or cure all forms of cancer. It's internationally recognized and highly competitive grant programs are designed to achieve these goals. Recipients of Damon Runyon awards have received the Nobel Prize and other prestigious awards, are leaders in cancer research and at the forefront of finding new cures.

Basis of accounting and financial statement presentation: The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Net asset classifications: Information about the Foundation's financial information and activities are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.

Permanently-restricted net assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation or, in the case of perpetual trusts, by third parties. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for program purposes.

Cash and cash equivalents: Cash and cash equivalents include highly liquid investments with a maturity of three months or less at time of purchase, except for those held by investment managers as part of their long-term investment strategy. The Foundation maintains cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Investments: Investments are reported at fair value in the balance sheet. The statement of activities includes investment return greater than the amount appropriated for operations consisting of interest and dividend income, realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date**.** Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and investment income is recognized as revenue in the period earned.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Fixed assets: Fixed assets are recorded at cost, if purchased, or fair value at date of gift, if donated. The Foundation capitalizes all purchases of fixed assets in excess of $1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or, in the case of leasehold improvements, over the life of the lease, if shorter. Computer equipment and software and furniture and fixtures are depreciated over a five-year estimated useful life.

Revenue and support: Revenue is reported as increases in unrestricted net assets unless its use is limited by donor-imposed restrictions. Consistent with the Foundation's commitment in its solicitation materials and other publications, all bequests and contributions, with the exception of contributions received in connection with the sale of theater tickets and donated services, are restricted for scientific awards, unless otherwise restricted by the donor. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Operations include all revenue earned and expenses incurred, including the amount of investment return required to equalize operating revenue and expenses. Investment return in excess of or less than such amount allocated to operations is reported as nonoperating activity.

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Bequests are recorded as revenue at the time that an unassailable right to the gift has been established by the probate court and the proceeds are measurable in amount.

Contributions and bequests receivable are reported at their outstanding balances discounted to the net present value of their net realizable value based on a risk adjusted interest rate. The Foundation estimates an allowance for bad debts based on historical bad debt factors related to the donor's ability to pay and current economic trends. As of June 30, 2017 and 2016, management determined that no allowance was required.

The Foundation recognizes, as income, donated services that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if they had not been contributed.

Expenses: Expenses are reported as decreases in unrestricted net assets. The cost of providing the various program and supporting services of the Foundation have been summarized on a functional basis in the accompanying financial statements. Certain costs and expenses have been allocated between program services and supporting services on a reasonable basis as determined by management.

Fellowships and awards are recorded as an expense and a payable after they are reviewed by award selection committees, which are comprised of leading scientists, upon the approvals of the board of directors and acceptance of the award by the awardee. All fellowships and awards are usually expected to be paid within a four-year period or less.

Deferred revenue: Deferred revenue represents monies received in advance of income not earned from special events expected to occur in the future, which will be recognized in the statement of activities when the events occur.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Fair value measurements: Assets and liabilities recorded at fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, level inputs are defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of investments in Level 1 generally include listed equities, mutual funds and exchange-traded funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted market prices for similar assets or liabilities in markets that are not active, markets in which there are few transactions, prices are not current or prices vary substantially over time. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities, such as securities traded on certain foreign exchanges, as well as alternative investments that can be redeemed in the near term. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies and real estate and ownership interests in alternative investments that cannot be redeemed in the near term.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers during fiscal 2017 and 2016.

Income taxes: The Foundation has been determined by the Internal Revenue Service to be a Section 501(c) (3) charitable organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the IRC). The Foundation has been classified as a publicly supported organization and not as a private foundation under Section 509(a) (1) of the IRC and qualifies for the maximum charitable contribution deduction by donors. As a not-for-profit organization, the Foundation is subject to taxes on unrelated business income.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment or disclosure to the financial statements. Generally, the Foundation in no longer subject to income tax examination by U.S. federal, state or local tax authorities for tax years before 2013 which is the standard statute of limitation look-back period.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Endowment: The Foundation's board of directors has determined that, when the Foundation receives a contribution and the donor restricts the Foundation from spending the principal, the Foundation is required to maintain the historical dollar value of the contribution received as an endowment. Such amount is recorded as permanently restricted.

The Foundation is subject to the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA), and has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not classified as permanently-restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Summarized comparative information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's 2016 financial statements, from which the summarized information was derived.

Subsequent events: The Foundation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 24, 2017, for these financial statements.

Risks and uncertainties: The Foundation invests in various investment securities. Investment securities are exposed 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 investment securities will occur in the near term and that such changes could materially affect the amounts of investments reported in the balance sheet.

Recently issued accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows (Topic 230)*, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods beginning after December 15, 2018, and, therefore, is expected to be adopted by the Foundation for the year ending June 30, 2020. Early adoption is permitted. The Foundation has not evaluated the impact that adoption will have on the statement of cash flows.

In August, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expenses recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on its financial statements.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the amendments eliminates the requirements to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The amendments in this Update are effective for the Foundation for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Foundation has not yet determined the effect on the financial statements of adopting the other amendments included in ASU 2016-01.

In May 2015, the FASB issued ASU 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) Per Share (or Its Equivalent).* This ASU removes the requirement to categorize within the fair value hierarchy investments for which fair values are measured at NAV using the practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Although the investments are not categorized within the fair value hierarchy, a reporting entity shall provide the amount measured using the NAV per share (or its equivalent) practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the balance sheet. The amendments in this Update will generally be effective for fiscal periods beginning after December 15, 2016 for nonpublic entities. The impact of adopting ASU 2015-07 on the Foundation's financial statements for subsequent periods has not yet been determined.

Note 2. Contributions and Bequests Receivable

Contributions and bequests receivable at June 30, 2017 and 2016 are due to be collected as follows:

	2017	2016
Less than one year	$ 4,018,639	$ 4,867,929
One to five years	2,260,100	4,153,100
	6,278,739	9,021,029
Discount to present value at 3%	(101,990)	(183,351)
	$ 6,176,749	$ 8,837,678

Note 3. Investments

Investments, at fair value, consist of the following at June 30, 2017 and 2016:

	2017	2016
Money market funds	$ 6,023,395	$ 6,702,221
Marketable equity securities	81,083,528	72,078,382
Marketable debt securities	13,367,138	15,646,047
Fixed term certificate of deposit	144,320	144,248
Non-U.S. government debt	133,222	142,705
U.S government debt	5,873,356	5,189,133
Limited partnerships	16,278,581	15,096,406
	$ 122,903,540	$ 114,999,142

Income generated from the Foundation's investments for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Interest and dividends	$ 2,037,302	$ 1,971,099
Net appreciation (depreciation) in fair value of investments	13,967,244	(4,712,228)
Investment (expenses) income	(54,940)	21,015
Donated investment services	(445,552)	(444,304)
	15,504,054	(3,164,418)
Investment gain allocated to operations	(3,350,641)	(2,874,800)
	$ 12,153,413	$ (6,039,218)

The (loss) income from investments is reported in the statement of activities, as follows:

	2017		
	Unrestricted	Temporarily Restricted	Total
Operating activities:			
Investment return allocated to operations	$ 3,350,641	$ -	$ 3,350,641
Non-operating activities:			
Investment return greater amount appropriated for operations	11,107,291	1,046,122	12,153,413
Total	$ 14,457,932	$ 1,046,122	$ 15,504,054

Note 3. Investments (Continued)

	2016		
	Unrestricted	Temporarily Restricted	Total
Operating activities:			
Investment return allocated to operations	$ 2,874,800	$ -	$ 2,874,800
Non-operating activities:			
Investment return greater amount appropriated for operations	(5,802,468)	(236,750)	(6,039,218)
Total	$ (2,927,668)	$ (236,750)	$ (3,164,418)

Note 4. Fair Value Measurements and Disclosures

Fair value of financial instruments: The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2017 and 2016:

Cash and cash equivalents: The carrying amount approximates fair value because the instruments are liquid in nature and have short-term maturities.

Contributions and bequests receivable: The carrying amount is based on estimated present values and approximates fair value.

Accounts receivable: The carrying amount approximates fair value because they are generally short-term in nature.

Investments: The fair value is determined as described below.

Amounts held in trust by others: The carrying amount, which approximates fair value, is based on the Foundation's share in the fair value of the underlying assets of the perpetual trusts and on the estimated present value of the anticipated cash inflows from the charitable remainder trusts.

Accounts payable and accrued expenses: The carrying amount approximates fair values because of the short-term nature of the instruments.

Fellowships and awards payable: The carrying amount approximates fair value based on estimated present values of the anticipated cash outflows.

Note 4. Fair Value Measurements and Disclosures (Continued)

Fair value measurements: The following tables present the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	2017			
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Marketable equity securities	$ 81,083,528	$ 81,083,528	$ -	$ -
Marketable debt securities	13,367,138	-	13,367,138	-
Non-U.S. government debt	133,222	-	-	133,222
U.S. government debt	5,873,356	-	5,873,356	-
Money market and fixed term certificates of deposit	6,167,715	6,167,715	-	-
Limited partnerships	16,278,581	-	16,278,581	-
Total investments	$ 122,903,540	$ 87,251,243	$ 35,519,075	$ 133,222
Amounts held in trust by others	$ 6,391,584	$ -	$ -	$ 6,391,584

	2016			
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Marketable equity securities	$ 72,078,382	$ 72,078,382	$ -	$ -
Marketable debt securities	15,646,047	-	15,646,047	-
Non U.S. government debt	142,705	-	-	142,705
U.S. government debt	5,189,133	-	5,189,133	-
Money market and fixed term certificates of deposit	6,846,469	6,846,469	-	-
Limited partnerships	15,096,406	-	15,096,406	-
Total investments	$ 114,999,142	$ 78,924,851	$ 35,931,586	$ 142,705
Amounts held in trust by others	$ 5,965,826	$ -	$ -	$ 5,965,826

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by the Foundation to measure different financial instruments at fair value.

Marketable equity securities and money market funds listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation.

Marketable debt securities, U.S. government debt, and non-U.S. government debt are valued based on the last reported bid or evaluation price provided by broker-dealers.

Note 4. Fair Value Measurements and Disclosures (Continued)

Investments in limited partnerships are valued at fair value based on the applicable percentage ownership of the limited partnerships' net assets as of the measurement date, as reported to the Foundation by the limited partnerships. The limited partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the limited partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective limited partnership and may not be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Foundation classifies its investments in limited partnerships as Level 2 if it has the ability to redeem its investments on the reporting date or within 90 days from the report date.

Amounts held in trust by others consist of the Foundation's interest in several perpetual trusts and charitable remainder trusts. The fair value of the Foundation's interest in perpetual trusts is based on the fair value of the underlying trust assets. The fair value of the Foundation's interest in charitable remainder trusts is determined at the net present value of the anticipated cash inflows, discounted at interest rates ranging from 6.0% to 8.0%, using actuarially based mortality tables.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which the Foundation has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments for the years ended June 30, 2017 and 2016:

	2017				
	Limited Partnership	Non-US Government Debts	Amounts Held in Trust by Others	Total	2016
Beginning balance, July 1	$ -	$ 142,705	$ 5,965,826	$ 6,108,531	$ 26,227,236
Remainder trust liquidation	-	-	(25,636)	(25,636)	(176,653)
Redemption of limited partnerships	-	-	-	-	(17,764,955)
Realized gain on partnership liquidation	-	-	-	-	7,943,190
Change in unrealized (depreciation) appreciation	-	(9,483)	451,394	441,911	(10,120,287)
Ending balance, June 30	$ -	$ 133,222	$ 6,391,584	$ 6,524,806	$ 6,108,531

The following table provides additional information on the investments in limited partnerships as of June 30, 2017:

Investment Objective	2017	Redemption Frequency	Redemption Notice Period
Long-short master fund (a)	$ 5,868,795	Monthly	30 days
Multi-strategy (b)	10,409,786	Bi-Monthly	90 days
	$ 16,278,581		

(a) This category seeks a performance target and not a guide to portfolio construction.

(b) This category seeks to provide exposure to more than sixty "hedge fund risk premiums" across nine broad strategy groups with dynamic and disciplined investment process that aims to provide risk-balanced exposure to the underlying strategies.

As of June 30, 2017, there were no unfunded commitments related to any of the investments in limited partnerships held by the Foundation.

Note 5. Amounts Held in Trust by Others

The Foundation is named as beneficiary of several perpetual trusts and charitable remainder trusts. The Foundation does not exercise control over the trusts' assets, which are administered by third parties. In some of the charitable remainder trusts, the Foundation is currently receiving income as one of the named beneficiaries.

The perpetual trusts are reported in the permanently-restricted net asset class because the Foundation has an irrevocable right to all, or, in cases where other beneficiaries participate, a portion of the income earned on the trusts' assets in perpetuity, but will never receive the assets held in trust.

For those trusts in which the Foundation has a remainder interest (i.e., upon termination of the trusts), the Foundation will receive the assets remaining in the trusts (or a portion thereof in those cases where other beneficiaries participate), which are reported in the temporarily restricted net asset class at the present value of the estimated future benefit to be received when the trusts are distributed. The discount rate ranges from 6.00% to 8.00%.

The amounts held in trust by others are adjusted annually to reflect changes in the life expectancy of the beneficiaries, the value of the assets held in the trusts and other changes in estimates of future payments. Such adjustments are reported as a change in value of charitable remainder trusts in the statement of activities. The reported value is measured by the fair value of the trusts' assets.

The Foundation has also been named as beneficiary of several other trusts that have not been included in these financial statements because they have very broad power to invade, which causes uncertainty in determining the value to the Foundation in the future, or the future benefit to the Foundation is deemed to be minimal because of the ages of the life beneficiaries.

Note 6. Fixed Assets

Fixed assets at June 30, 2017 and 2016 consist of the following:

	2017	2016
Leasehold improvements	$ 125,874	$ 125,874
Computer equipment and software	346,449	344,324
Furniture and fixtures	182,736	182,736
	655,059	652,934
Less accumulated depreciation	(634,587)	(615,672)
	$ 20,472	$ 37,262

Note 7. Fellowships and Awards Payable

Fellowships and awards payable as of June 30, 2017 and 2016, are expected to be paid as follows:

	2017	2016
Years ending June 30:		
2017	$ -	$ 13,143,500
2018	12,885,083	8,271,000
2019	9,189,750	5,606,500
2020	5,405,000	1,962,000
2021	1,884,000	-
	29,363,833	28,983,000
Discount to present value at 3.0%	(737,807)	(729,231)
	$ 28,626,026	$ 28,253,769

Note 8. Pension Plan

The Foundation has a defined-contribution plan covering substantially all of its employees. The Foundation's policy is to contribute 10% of employees' base compensation after two full years of full-time employment. Total pension expense for fiscal years 2017 and 2016, was approximately $127,000 and $129,000, respectively.

Note 9. Temporarily Restricted and Permanently-Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, consist of the following:

	2017	2016
Charitable remainder trusts	$ 1,067,867	$ 961,134
Dale Frey Award for Breakthrough Scientists	8,983,769	8,242,802
Contributions and bequests receivable restricted for program services	4,497,416	10,456,688
	$ 14,549,052	$ 19,660,624

Net assets released from restrictions during the year ended June 30, 2017 amounted to $15,674,468 which equals the total amount of scientific awards (net of present value discounting) approved during the fiscal year and other programs.

Permanently-restricted net assets consist almost entirely of perpetual trusts held by third-party trustees (see Note 5).

Note 10. Lease Commitment

The Foundation leases office space under a noncancelable operating lease agreement, expiring in February 2018. In August 2017, the Foundation renewed the lease agreement to April 2029. The future minimum lease payments under this lease are as follows:

Years ending June 30:	
2018	$ 274,763
2019	336,000
2020	336,000
2021	348,333
2022	350,000
Thereafter	2,592,916
Total	$ 4,238,012

The lease is subject to escalations for the Foundation's pro rata share of the increase in real estate taxes and operating expenses.

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease. As of June 30, 2017 and 2016, there was $42,756 and $99,096, respectively, of deferred rent included in accounts payable and accrued expenses.

Rent expense was approximately $388,000 and $428,000 for the years ended June 30, 2017 and 2016, respectively.

As part of the Foundation's lease agreement, the Foundation obtained an active letter of credit which is collateralized by a 12-month certificate of deposit amounting to $108,073 and $108,019 at June 30, 2017 and 2016, respectively, that is included in investments, in lieu of a cash security deposit.

Note 11. Endowment Fund

The Foundation classifies a substantial portion of its financial resources as endowment, which is invested to generate income to be used to support operating and program activities. The Foundation has implemented policies for its investment portfolio that attempt to provide a predictable stream of funding while seeking to maintain its purchasing power. These investment portfolio assets include both unrestricted and restricted funds. Under the oversight of the board's Investments Committee, portfolio assets are invested in a manner that is intended to produce results that provide a high total return (income and capital gains) over the long term, consistent with the preservation of principal. The Foundation expects that earnings growth will match or exceed inflation and that the real (i.e., inflation-adjusted) value of the investment portfolio will be maintained. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation prepares an annual budget that is reviewed and approved by the board of directors. Projected revenues are compared to projected expenditures. When projected expenditures exceed projected revenues, the board of directors authorizes a drawdown from the endowment to balance the budget. As a rule, the authorized drawdown does not exceed the expected, long-term rate of return on the endowment. The current benchmark used is 5.5% on a three-year rolling average. In any given year, the actual drawdown may be more or less than the 5.5% depending on operational considerations.

Note 11. Endowment Fund (Continued)

On the statement of activities, approximately $3,350,000 and $2,874,000 for the years ended June 30, 2017 and 2016, respectively, are reflected as investment return allocated to operations. This amount represents the funds needed to balance unrestricted revenues and expenses on an accrual basis of accounting.

Endowment assets are represented by available funds allocated by the Foundation for long-term investment, and funds received from donors for funding of scientific awards that are included in temporarily restricted net assets, as well as a portion of the permanently-restricted net assets that is not represented by the Foundation's interest in perpetual trusts.

	2017	2016
Endowment assets, beginning of year	$ 114,999,142	$ 123,482,176
Investment return:		
Investment income, net	1,982,362	1,992,114
Net appreciation	13,967,244	(4,712,228)
Total investment return	15,949,606	(2,720,114)
Withdrawals	(8,045,208)	(5,762,920)
Endowment net assets and cash, end of year	$ 122,903,540	$ 114,999,142

Note 12. Donated Services

The Foundation received donated services for the years ended June 30, 2017 and 2016, as follows:

	2017	2016
Investment management services	$ 445,552	$ 444,304
Members of scientific selection committee	303,000	312,000
	$ 748,552	$ 756,304