SARCOMA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

SARCOMA FOUNDATION OF AMERICA, INC.

YEAR ENDED DECEMBER 31, 2016

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E. COHEN
AND COMPANY, CPAs
Building Profitable Ideas

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sarcoma Foundation of America, Inc.
Damascus, Maryland

We have audited the accompanying financial statements of Sarcoma Foundation of America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Sarcoma Foundation of America, Inc. as of December 31, 2016, 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.

E. Cohen and Company CPAs

October 27, 2017

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SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current assets	
Cash and cash equivalents	$ 1,443,023
Contributions receivable	69,293
Prepaid expenses	80,886
Investments	4,034,718
Total current assets	5,627,920
Property and equipment	
Machinery and equipment	28,851
Furniture	15,237
Website	39,000
Total property and equipment	83,088
Accumulated depreciation	(34,163)
Net property and equipment	48,925
Other assets	
Deposits	5,416
Total assets	$ 5,682,261

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 58,107
Grants payable	349,624
Accrued expenses	19,734
Accrued payroll and payroll taxes	9,146
Deferred revenue	30,000
Total liabilities	466,611
Net assets	
Unrestricted	
Board designated	271,831
Undesignated	1,739,959
Total unrestricted	2,011,790
Temporarily restricted	3,203,860
Total net assets	5,215,650
Total liabilities and net assets	$ 5,682,261

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues			
Grants and contributions	$ 764,162	$ 311,836	$ 1,075,998
Special events less direct expense of $362,097	868,972	-	868,972
Investment income, net	200,209	-	200,209
Other revenue	115,788	-	115,788
Net assets released from donor restrictions	250,907	(250,907)	-
Total revenues	2,200,038	60,929	2,260,967
Expenses			
Program services	1,409,110	-	1,409,110
Management and general	186,650	-	186,650
Fund-raising	196,135	-	196,135
Total expenses	1,791,895	-	1,791,895
Change in net assets	408,143	60,929	469,072
Net assets, beginning of year	1,603,647	3,142,931	4,746,578
Net assets, end of year	$ 2,011,790	$ 3,203,860	$ 5,215,650

See independent auditor's report and notes to financial statements.

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities	
Changes in net assets	$ 469,072
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Realized and unrealized gain on investments	(132,442)
Depreciation expense	6,995
(Increase) decrease in assets	
Contributions receivable	17,911
Grants receivable	15,000
Prepaid expenses	(34,025)
Deposits	(2,000)
Increase in liabilities	
Accounts payable	15,686
Grants payable	68,487
Accrued expenses	1,764
Accrued payroll and payroll taxes	2,803
Deferred revenue	30,000
Net cash provided by operating activities	459,251
Cash flows from investing activities	
Purchase of equipment	(8,625)
Purchase of investments	(75,570)
Proceeds from sale of investments	8,703
Net cash used in investing activities	(75,492)
Net increase in cash	383,759
Cash and cash equivalents, beginning of year	1,059,264
Cash and cash equivalents, end of year	$ 1,443,023

There were no non-cash investing or financing activities during the year ended December 31, 2016.

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total
Grants	$ 749,312	$ -	$ -	$ 749,312
Payroll, payroll taxes and benefits	344,002	103,526	86,387	533,915
Professional fees	23,307	37,722	50,013	111,042
Registry	97,439	-	-	97,439
Telephone and internet	24,412	13,328	14,138	51,878
Promotional materials	31,180	5,760	10,047	46,987
Office expense	29,451	5,661	5,438	40,550
Occupancy	24,046	7,237	6,038	37,321
Printing and reproduction	14,063	1,911	13,696	29,670
Travel	24,655	1,881	2,668	29,204
Software	14,688	1,620	1,353	17,661
Repairs and maintenance	6,520	1,962	1,637	10,119
Dues and subscriptions	7,221	1,000	320	8,541
Registration fees	5,130	1,544	1,288	7,962
Depreciation	4,507	1,356	1,132	6,995
Insurance	4,242	1,277	1,065	6,584
Conferences and meetings	3,935	865	915	5,715
Sponsorship	1,000	-	-	1,000
Total expenses	$ 1,409,110	$ 186,650	$ 196,135	$ 1,791,895

1. Organization and summary of significant accounting policies

Organization

Sarcoma Foundation of America, Inc. (the Organization) was incorporated on August 10, 2000 under the laws of the State of Maryland. The Organization has been approved for tax exempt status under Section 501(c)(3) of the internal Revenue Code.

The mission of Sarcoma Foundation of America, Inc. is to advocate for sarcoma patients by funding research and by increasing awareness about the disease. The organization raises money to privately fund grants for sarcoma researchers and conducts education and advocacy efforts on behalf of sarcoma patients.

Method of accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when obligations are incurred.

Basis of presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents

Cash equivalents are defined as highly-liquid short-term debt instruments whose maturity dates do not extend past three months from the original date of purchase. As of December 31, 2016, the organization held $488,540 of such investments.

Financial risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash. Amounts in excess of federally insured limits at December 31, 2016 approximated $714,939.

The Organization invests in professionally managed portfolios that contain mutual funds and equity securities. Such investments are exposed to various market risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

1. Organization and summary of significant accounting policies (continued)

Contributions receivable and allowance for doubtful accounts

Contributions receivables are carried at their original amount less an estimate for doubtful accounts based on review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded when received. Management believes all accounts receivables as of December 31, 2016 are fully collectible.

Investments

Investments are reflected at fair value, which is determined based on quoted market rates. To adjust the carrying value of investments, the change in fair value is reflected as part of investment income in the statement of activities.

Property and equipment

Property and equipment are stated at cost. An item is capitalized if its cost is $500 or more and its estimated useful life is greater than one year. Depreciation is being provided using the straight-line method over their estimated useful lives of the related assets of five to seven years.

Revenue recognition

Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the support is received, the Organization reports the support as unrestricted.

Contributions

All contributions are considered to be available for unrestricted use unless the donor specifically restricts the contribution. Donated equipment and materials, if any, are reflected in the accompanying financial statements at their estimated fair values at the date of donation.

1. Organization and summary of significant accounting policies (continued)

Deferred grants expense

The Organization has agreed to pay various research and support grants to various universities and organizations. Grants which are paid for a period of time are recorded as deferred until the timing restriction has been met.

Income taxes

No provision has been made for income taxes, since the Organization has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no net unrelated business taxable income during the year.

The Organization adopted the Financial Accounting Standards Board FASB ASC 740-10, *Income Taxes*, which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. For the year ended December 31, 2016, the Organization has determined that no material uncertain tax positions exist requiring either recognition or disclosure in the financial statements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Investments

Investments at December 31, 2016, consist of mutual funds, marketable securities and corporate bonds in the amount of $4,034,718.

Investment income for the year ended December 31, 2016, consists of the following:

Realized and unrealized loss	$	132,442
Dividends and interest		91,372
Investment fees		(23,605)
Net investment income	$	200,209

2. Investments (continued)

Return objective and risk parameters: The overall funds objective is to earn a long-term, risk-adjusted total rate of return to support the designated programs. The Organization recognizes and accepts that pursuing such a goal involves risk and potential volatility. The Organization targets a diversified asset allocation that places a greater emphasis on mutual fund to achieve its long-term return objectives within prudent risk constraints. The Organization has established a portfolio asset allocation. While the asset allocation can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns. The Organization has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing. Investments are available for sale and have been classified as short term.

3. Fair value measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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.

3. Fair value measurements (continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Mutual fund: Valued at daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Corporate bonds: Valued at present value of future interest payments and the bond's value upon maturity.

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 Organization believes 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 table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	Assets at Fair Value as of December 31, 2016			
	Total	Level 1	Level 2	Level 3
Mutual funds	$ 3,917,956	$ 3,917,956	$ -	$ -
Marketable securities	10,030	10,030	-	-
Corporate bonds	106,732	106,732	-	-
	$ 4,034,718	$ 4,034,718	$ -	$ -

For the year ended December 31, 2016, there were no significant transfers between Levels 1 and 2, and no transfers to Level 3.

4. Commitments

The Organization leases their main facility under a non-cancelable operating lease which terms go through October 31, 2018. Rent expense under the operating lease for the year ended December 31, 2016 was $36,219.

Future minimum lease payments under the operating lease at December 31, 2016, are as follows:

Years ending December 31,	Amount
2017	$ 39,225
2018	34,172
Total	$ 73,397

The Organization has committed to the Sarcoma Alliance for Research through Collaboration (SARC) an annual contribution of $80,000 over a five-year period, beginning in 2018, for a total of $400,000 to support the Specialized Program in Research Excellence. This grant is contingent upon SARC receiving approval of additional funding from the National Cancer Institute (NCI). Management expects SARC to receive this funding however the Organization is not obligated to pay the annual contributions to SARC until SARC has shown they have received approval of the annual NCI funding. The President of Sarcoma Foundation of America is a member of the board of directors of SARC, accordingly this is a related party transaction.

5. Functional allocation of expenses

The costs of providing programs of the Organization have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with a particular program or support function are charged directly to that program function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the portion of these costs applicable to each program. Other allocable costs have been allocated to program services and to support services based upon management's best estimates.

6. Retirement plan

The Organization has a SIMPLE IRA plan covering all employees that earn over $5,000 during the plan year. Employees are eligible to make elective deferrals on any day on or following the date of hire. Employer non-elective contributions are 2% of each participants' eligible compensation up to Internal Revenue Service compensation limits. The Organization's non-elective contribution for the year ended December 31, 2016 was $8,588.

7. Income taxes

The Organization has not recognized any cumulative adjustment relating to the adoption of FASB ASC Income Tax Topic, nor are there any unrecognized tax benefits to be disclosed as of December 31, 2016. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and unrelated business income, if any. The Organization's information return filings for the years 2013-2015 remain subject to examination by the Internal Revenue Service and Maryland. The federal and state returns for the year ended December 31, 2016, have not yet been filed.

8. Temporarily restricted net assets

Temporarily restricted net assets include donor restricted funds and other funds, which are only available for program activities. Temporarily restricted net assets were released from restriction during the year ended December 31, 2016, due to the purpose for the restriction being accomplished.

The temporarily restricted net assets as of December 31, 2016, are as follows:

Aronsohn Memorial Fund for ULMS Research	$	2,769,907
Aronsohn Memorial Fund for General Sarcoma Research		433,953
	$	3,203,860

9. Board designated

The board has designated reserves for the following purpose as of December 31, 2016:

STL Cure Sarcoma Research Award Fund	$	102,631
RTCS Cure Sarcoma Research Award Fund		86,115
Pittsburgh Cure Sarcoma Research Award Fund		83,085
	$	271,831

10. In-kind contributions

During the year ended December 31, 2016, the Organization received approximately $11,777 for items donated to the Organization for a silent auction held at the Gala event. In addition to the silent auction items the Organization was also given $1,350 of party favors for those who attended the Gala, and $10,793 worth of donated event food. In addition, the Organization received $10,269 in stock donations and $30,044 in donated advertising services during the year ended December 31, 2016. No other amounts have been included in the financial statements for donated services for financial oversight and bookkeeping as none meet the requirements for recording such services.

11. Concentration

Approximately 11% of the Organization's revenue was derived from one donor during the year ended December 31, 2016. Two donors represented approximately 24% of the Organization's outstanding accounts receivable balance at December 31, 2016. During the year ended December 31, 2016 one special event represented approximately 15% of the Organization's revenue less direct event expenses. Management believes credit risk with regard to these donors and events is limited due to the Organization's financial strength.

12. Subsequent events

Management has evaluated events or transactions that occurred after December 31, 2016 through October 27, 2017, the date the financial statements were available to be issued. Management of the Organization has determined that there were no subsequent events or transactions that should be disclosed in the financial statements.