

**Solving Kids' Cancer, Inc.**  
**Report on Financial Statements**  
**Years Ended December 31, 2009 and 2008**

# SOLVING KIDS' CANCER, INC.

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**Report of Independent Public Accountants**

To the Board of Directors  
Solving Kids' Cancer, Inc.

We have audited the accompanying statements of financial position of Solving Kids' Cancer, Inc. (the "Organization") as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solving Kids' Cancer, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

 J.H. Cohn LLP

New York, New York  
August 25, 2010

SOLVING KIDS' CANCER, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2009 AND 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents (Note 2)	\$ 4,348,815	\$ 5,146,816
Contributions receivable (Notes 2 and 3)	200	8,996
Other current assets (Note 2)	40,758	1,154
Equipment, net (Notes 2 and 4)	53,107	3,111
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Totals	<u>\$ 4,442,880</u>	<u>\$ 5,160,077</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,488	\$ 11,725
Grants payable (Note 5)	154,979	150,000
Total liabilities	<u>161,467</u>	<u>161,725</u>
Net assets:		
Unrestricted:		
Undesignated (Note 2)	3,419,157	4,998,352
Board-designated (Notes 2 and 7)	759,806	
Total unrestricted	<u>4,178,963</u>	<u>4,998,352</u>
Temporarily restricted (Notes 2 and 8)	102,450	
Total net assets	<u>4,281,413</u>	<u>4,998,352</u>
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Totals	<u>\$ 4,442,880</u>	<u>\$ 5,160,077</u>

SOLVING KIDS' CANCER, INC.

STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2009 AND 2008

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total (Unrestricted)
Changes in net assets:				
Revenue, support and gains:				
Individual contributions (Notes 1, 2 and 3)	\$ 349,418	\$ 102,450	\$ 451,868	\$ 1,057,955
Corporate contributions (Note 2)	98,400		98,400	150,000
Foundation contributions (Note 2)	16,200		16,200	
Special events and benefits (net of expenses of \$78,120 and \$1,496)	(2,940)		(2,940)	40,876
Total revenue and support	461,078	102,450	563,528	1,248,831
Interest income	50,959		50,959	119,859
Total revenue, support and gains	512,037	102,450	614,487	1,368,690
Expenses:				
Program services	882,547		882,547	920,216
Management and general	239,807		239,807	122,204
Fundraising	209,072		209,072	12,776
Total expenses (Note 2)	1,331,426	-	1,331,426	1,055,196
Change in net assets	(819,389)	102,450	(716,939)	313,494
Net assets, beginning of year	4,998,352		4,998,352	4,684,858
Net assets, end of the year	\$ 4,178,963	\$ 102,450	\$ 4,281,413	\$ 4,998,352

SOLVING KIDS' CANCER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2009

	Program Services	Management and General	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 152,078	\$ 119,934	\$ 187,271	\$ 459,283
Payroll taxes and employee benefits	17,260	13,611	21,253	52,124
Total personnel expenses	<u>169,338</u>	<u>133,545</u>	<u>208,524</u>	<u>511,407</u>
Operating expenses:				
Grant expense	708,378			708,378
Fees and commissions		550		550
Printing and shipping		8,429		8,429
Dues and subscriptions		1,662		1,662
Employee training and workshops		489		489
Bank and payroll processing fees		2,080		2,080
Web design and web hosting fee		1,493		1,493
Office expenses		1,107		1,107
Merchant fees		5,441		5,441
Meals and entertainment		1,573		1,573
Conference, conventions and meetings		805		805
Travel	4,831	817	548	6,196
Professional fees		64,754		64,754
Computer supplies		1,145		1,145
Telephone		2,222		2,222
Miscellaneous		212		212
Total operating expenses	<u>713,209</u>	<u>92,779</u>	<u>548</u>	<u>806,536</u>
Total expenses before depreciation	882,547	226,324	209,072	1,317,943
Depreciation (Note 4)		13,483		13,483
Totals	<u>\$ 882,547</u>	<u>\$ 239,807</u>	<u>\$ 209,072</u>	<u>\$ 1,331,426</u>

**SOLVING KIDS' CANCER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2008**

	Program Services	Management and General	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 148,576	\$ 67,753	\$ 539	\$ 216,868
Payroll taxes and employee benefits	7,689	3,506	28	11,223
Total personnel expenses	<u>156,265</u>	<u>71,259</u>	<u>567</u>	<u>228,091</u>
Operating expenses:				
Grant expense	751,200			751,200
Fees and commissions		25		25
Printing and shipping		45		45
Dues and subscriptions		75		75
Employee training and workshops		80		80
Insurance		100		100
Bank and payroll processing fees		1,523		1,523
Web design and web hosting fee		830		830
Office expenses		636		636
Merchant fees		1,140		1,140
Meals and entertainment		1,421		1,421
Conference, conventions and meetings		1,810		1,810
Travel	6,191	673		6,864
Professional fees	6,560	41,031	12,209	59,800
Total operating expenses	<u>763,951</u>	<u>49,389</u>	<u>12,209</u>	<u>825,549</u>
Total expenses before depreciation	920,216	120,648	12,776	1,053,640
Depreciation (Note 4)		1,556		1,556
Totals	<u>\$ 920,216</u>	<u>\$ 122,204</u>	<u>\$ 12,776</u>	<u>\$ 1,055,196</u>

**SOLVING KIDS' CANCER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
Operating activities:		
Change in net assets	\$ (716,939)	\$ 313,494
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,483	1,556
Change on operating assets and liabilities:		
Contributions receivable	8,796	2,050
Other current assets	(39,604)	(1,154)
Accounts payable and accrued expenses	(5,237)	1,530
Grants payable	4,979	150,000
Net cash provided by (used in) operating activities	(734,522)	467,476
Investing activities - purchase of equipment	(63,479)	
Net increase (decrease) in cash and cash equivalents	(798,001)	467,476
Cash and cash equivalents, beginning of year	5,146,816	4,679,340
Cash and cash equivalents, end of year	\$ 4,348,815	\$ 5,146,816



## SOLVING KIDS' CANCER, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **Note 1 - Organization:**

Solving Kids' Cancer, Inc. (the "Organization") is dedicated to facilitating the development of therapies to improve survivorship of the deadliest childhood cancers through an innovative and aggressively funded model. 100% of all public donations are used for the Organization's program services and all operating/nonresearch expenses are funded by the Board of Directors (the "Board").

The Organization is a not-for-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from Federal income taxation under Section 501(a) of the Code. The Code provides for the taxability of all income which is unrelated to the entities exempt mission.

The Organization has determined that their operations and source of revenues do not result in unrelated business income.

The Organization adopted the new accounting for uncertainty in income taxes guidance on January 1, 2009. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and the Organization has no unrecognized tax benefits at December 31, 2009. The Organization's U.S. Federal and state income tax returns prior to fiscal year 2006 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

#### **Note 2 - Summary of significant accounting policies:**

##### **Basis of presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

##### **Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Cash and cash equivalents:**

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include all cash balances and money market accounts.

##### **Concentrations of credit risk:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits. At December 31, 2009, the Organization had cash and cash equivalent balances in excess of Federally insured limits amounting to approximately \$3,800,000.

## SOLVING KIDS' CANCER, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 2 - Summary of significant accounting policies (concluded):

##### Contributions receivable:

Contributions receivable are recognized when the donor makes a gift to the Organization that is in form and in substance, unconditional. Contributions receivable due within one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk free interest rates applicable to the years in which the contributions are received.

##### Other current assets:

Other current assets consist primarily of advance payments for insurance and special needs.

##### Equipment:

Equipment is recorded at cost or, if contributed, based upon an appraised value at date of contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Software	3 years
Computers and equipment	5 years

##### Contributions:

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

##### Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on analysis of personnel time for the related activities.

##### Subsequent events:

The Company has evaluated subsequent events August 25, 2010, which is the date the financial statements were available to be issued.

## SOLVING KIDS' CANCER, INC.

### NOTES TO FINANCIAL STATEMENTS

**Note 3 - Contributions receivable:**

Contributions receivable, which amounted to \$200 and \$8,996 at December 31, 2009 and 2008, respectively, are all due within one year.

**Note 4 - Equipment:**

Equipment consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Software	\$ 56,066	\$ 4,667
Computers and equipment	<u>12,080</u>	<u>4,667</u>
	68,146	4,667
Less: accumulated depreciation	<u>(15,039)</u>	<u>(1,556)</u>
Totals	<u>\$ 53,107</u>	<u>\$ 3,111</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$13,483 and \$1,556, respectively.

**Note 5 - Grants payable:**

Grants authorized but unpaid at year end are measured at fair market value and reported as liabilities. All grants authorized are to be paid within one year. Grants payable for the years ended December 31, 2009 and 2008 were \$154,979 and \$150,000, respectively.

**Note 6 - Related party transactions:**

The Organization received donated office space from one of its Board members which is immaterial to the financial statements and has not been recorded for the years ended December 31, 2009 and 2008.

**Note 7 - Board designated funds:**

At December 31, 2009, the Board designated \$759,806 to cover future grant commitments in order to fund two new therapeutic trials. The funds will be expended as the grantee accomplishes specific milestones set forth in the grant agreement.

**Note 8 - Restrictions on net assets:**

Temporarily restricted net assets consist of the following at December 31, 2009:

Oncolytic Development	\$ 6,000
Rapa+Vinblastine Trial	76,600
Patient-specific Therapeutic Development for Neuroblastoma	<u>19,850</u>
Total	<u>\$102,450</u>