



**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

December 31, 2016 and 2015

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position December 31, 2016 and 2015	2
Statements of Activities For the Years Ended December 31, 2016 and 2015	3
Statements of Functional Expenses For the Years Ended December 31, 2016 and 2015 (Summarized)	4
Statements of Cash Flows For the Years Ended December 31, 2016 and 2015	5
Notes to Financial Statements	6 - 11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Mesothelioma Applied Research Foundation, Inc.
Alexandria, VA

We have audited the accompanying financial statements of The Mesothelioma Applied Research Foundation, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 Mesothelioma Applied Research Foundation, Inc. as of December 31, 2016, 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.

Burdette Smith & Bish, LLC

Fairfax, Virginia
October 11, 2017

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,086,306	\$ 775,550
Accounts receivable.....	150,695	-
Pledges receivable	-	281,250
Contributions receivable	-	70,715
Prepaid expenses.....	61,414	44,898
Total Current Assets	<u>1,298,415</u>	<u>1,172,413</u>
INVESTMENTS	1,425,075	1,388,668
PROPERTY AND INTANGIBLE ASSETS, AT COST	65,930	64,461
Less: accumulated depreciation and amortization	<u>(50,353)</u>	<u>(41,372)</u>
	<u>15,577</u>	<u>23,089</u>
OTHER ASSETS		
Deposit	<u>4,350</u>	<u>4,350</u>
	<u>\$ 2,743,417</u>	<u>\$ 2,588,520</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 50,650	\$ 33,977
Grants payable	225,000	150,000
Deferred revenue	8,000	-
Total Current Liabilities	<u>283,650</u>	<u>183,977</u>
NET ASSETS		
Unrestricted	<u>2,459,767</u>	<u>2,404,543</u>
Total Net Assets	<u>2,459,767</u>	<u>2,404,543</u>
	<u>\$ 2,743,417</u>	<u>\$ 2,588,520</u>

The accompanying notes are an integral part of these financial statements.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions	\$ 1,682,232	\$ 1,605,189
Symposium	206,105	148,125
Investment income (loss)	43,505	(54,684)
	1,931,842	1,698,630
Net assets released from restrictions	149,454	249,790
	2,081,296	1,948,420
Expenses		
Program services	1,685,555	1,595,875
Management and general	98,891	118,650
Fundraising	241,626	329,923
	2,026,072	2,044,448
Increase (Decrease) in Unrestricted Net Assets	55,224	(96,028)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	149,454	194,969
Net assets released from restrictions	(149,454)	(249,790)
Increase (Decrease) in Temporarily Restricted Net Assets	-	(54,821)
INCREASE (DECREASE) IN NET ASSETS	55,224	(150,849)
NET ASSETS, BEGINNING OF YEAR	2,404,543	2,555,392
NET ASSETS, END OF YEAR	\$ 2,459,767	\$ 2,404,543

The accompanying notes are an integral part of these financial statements.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015 (SUMMARIZED)

	Research	Education and Support & Symposium	Advocacy	Total Program Services	Management and General	Fundraising	Total 2016	Total 2015
Salaries and wages	\$ 90,224	\$ 444,194	\$ 27,974	\$ 562,392	\$ 37,643	\$ 29,330	\$ 629,365	\$ 652,947
Professional fees	-	12,572	174,000	186,572	-	170,700	357,272	338,804
Grants - research	400,000	-	-	400,000	-	-	400,000	305,500
Event supplies	-	51,482	-	51,482	-	-	51,482	190,366
Occupancy	9,139	47,309	3,107	59,555	3,369	2,687	65,611	57,951
Payroll taxes	6,897	32,847	2,130	41,874	2,782	2,177	46,833	49,981
Legal fees	-	194	-	194	-	2,250	2,444	49,730
Fringe benefits	7,459	38,695	2,509	48,663	2,771	2,208	53,642	49,483
Travel	12,933	19,463	63	32,459	5,332	1,748	39,539	39,555
Event location rental	-	76,808	-	76,808	-	-	76,808	38,978
Grants - patient travel	1,172	24,196	-	25,368	-	-	25,368	34,780
Printing	16	18,869	4,177	23,062	6	4,178	27,246	30,537
Computer and internet	7,392	17,398	1,007	25,797	1,032	823	27,652	30,172
Retirement contribution	4,215	20,131	1,299	25,645	1,705	1,343	28,693	29,668
Accounting	-	-	-	-	26,955	-	26,955	25,702
Telecommunications	1,201	10,913	328	12,442	345	375	13,162	14,147
Bank and credit card fees	-	(141)	-	(141)	670	9,878	10,407	12,872
Dues and subscriptions	117	881	9,585	10,583	42	899	11,524	12,358
Insurance	1,013	5,205	343	6,561	296	370	7,227	11,386
Advertising and marketing	5,792	10,195	211	16,198	19	353	16,570	9,680
Depreciation and amortization	-	-	-	-	8,981	-	8,981	9,105
Meals	1,018	6,617	-	7,635	803	181	8,619	8,226
Licenses and permits	-	-	-	-	194	7,500	7,694	7,694
Office supplies	568	4,672	197	5,437	720	227	6,384	6,334
Postage	434	12,233	1,294	13,961	69	3,398	17,428	6,084
Utilities	568	2,956	195	3,719	211	167	4,097	5,353
Reference materials	-	1,965	-	1,965	35	329	2,329	4,339
Payroll services	-	-	-	-	3,210	-	3,210	3,063
Repairs and maintenance	407	2,103	135	2,645	151	120	2,916	2,790
Public Relations	84	3,532	30	3,646	30	24	3,700	2,400
Conferences and seminars	21,387	10,719	-	32,106	-	-	32,106	1,796
Workers compensation	934	4,798	301	6,033	278	347	6,658	997
Gifts	322	2,238	-	2,560	743	-	3,303	660
Property taxes.....	51	264	18	333	18	14	365	469
Miscellaneous	-	-	-	-	481	-	481	541
	<u>\$ 573,344</u>	<u>\$ 883,308</u>	<u>\$ 228,903</u>	<u>\$ 1,685,555</u>	<u>\$ 98,891</u>	<u>\$ 241,626</u>	<u>\$ 2,026,072</u>	<u>\$ 2,044,448</u>

The accompanying notes are an integral part of these financial statements.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors and symposium	\$ 2,232,398	\$ 2,020,456
Dividends and interest received	57,853	45,698
Payments to employees and suppliers	<u>(1,941,934)</u>	<u>(2,173,459)</u>
Net Cash Provided By (Used In) Operating Activities	<u>348,317</u>	<u>(107,305)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,469)	(1,154)
Purchase of investments	(352,581)	(1,569,369)
Proceeds from sale of investments	<u>316,489</u>	<u>1,404,950</u>
Net Cash Provided By (Used In) Investing Activities	<u>(37,561)</u>	<u>(165,573)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	310,756	(272,878)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>775,550</u>	<u>1,048,428</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,086,306</u>	<u>\$ 775,550</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ 55,224	\$ (150,849)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,981	9,105
Unrealized (gain) loss on investments	(25,511)	43,618
Realized (gain) loss on investments	25,196	41,870
Net (gain) loss on sale of property and equipment	-	434
Decrease (increase) in:		
Accounts receivable	(150,695)	-
Pledges receivable	281,250	-
Contributions receivable	70,715	79,667
Prepaid expenses	(16,516)	13,377
Increase (decrease) in:		
Accounts payable and accrued expenses.....	16,673	(9,807)
Grants payable	75,000	(125,000)
Deferred revenue	8,000	(7,400)
Deferred rent	-	(2,320)
	<u>293,093</u>	<u>43,544</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 348,317</u>	<u>\$ (107,305)</u>

The accompanying notes are an integral part of these financial statements.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 1 – Nature of Activities and Significant Accounting Policies

The mission of The Mesothelioma Applied Research Foundation, Inc. (the Foundation) is to eradicate the cancer, mesothelioma, as a life-ending disease. The Foundation supports and promotes research to improve mesothelioma treatment, provides education and support to patients with the disease and their families, and raises awareness among the general public and federal officials of the need for research funding to develop improved treatments.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting; consequently, support and revenue are recognized when earned and expenses when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all checking, money market and short-term investments with original maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable

The Foundation estimates that all accounts receivable are fully collectible; therefore, no allowance for uncollectible receivables has been established. Management periodically reviews accounts receivable to evaluate collectability.

Pledges Receivable

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation. The Foundation considers all pledges at December 31, 2016 and 2015 to be fully collectible; therefore no provision has been made for uncollectible pledges receivable.

Investments

Investments are reflected at fair market value. Interest, dividends and realized gains or losses are recorded when earned or sustained. Fluctuations in the market value of the portfolio are recorded as unrealized gains or losses in the accompanying statement of activities. Donated securities are sold upon receipt to establish fair market value.

The Foundation invests funds in professionally managed mutual funds that contain various types of marketable securities. Such investments are exposed to various risks such as interest rate, market value fluctuations, 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 such changes could materially affect the amounts reported in the statements of financial position.

Property and Intangible Assets

Property and equipment acquisitions in excess of \$500 (including major renewals, replacements and betterments) are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Depreciation is provided for under the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Intangibles are recorded at cost and are amortized using the straight line method over an estimated useful life of five to fifteen years.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 1 – Nature of Activities and Significant Accounting Policies, Continued

Donated Property and Equipment

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Grants Payable

Grants made by the Foundation are recorded in the financial statements at the time the grants are approved by the Board of Directors

Rescission of Grants

The Foundation records the rescission of grants in the year the grant is cancelled.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and includes Board designated funds, i.e. funds that have been segregated by the Board to be spent only on specified purposes.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has no permanently restricted net assets at December 31, 2016 and 2015.

Income Recognition

Contributions are recognized as revenue at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted revenue is reported as an increase in temporarily 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. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions are met in the same period the donation is made.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 1 – Nature of Activities and Significant Accounting Policies, Continued

Donated Services and Materials

The Foundation relies heavily on volunteers to perform certain services for some of its programs. Because these services do not meet specified criteria for recognition as income and expense, the value of these services has not been included in the Statement of Activities. Donated services and materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Fair Value of Financial Instruments

Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in an active market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values.

The carrying amounts for cash and cash equivalents, pledges and grants receivable, prepaid expenses, accounts payable, grants payable and deferred rent are considered Level 1 and approximate fair value because of the short term maturity of these instruments.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising Expense

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Indirect costs such as insurance, rent and facility maintenance have been allocated among the programs, fundraising and management and general activities benefitted based on level of effort.

Income Taxes

The Foundation has been granted exemption from federal and state income taxation under Section 501(C)(3) of the Internal Revenue Code and classified as other than a private foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, federal and state information returns for years prior to 2013 are no longer subject to examination by tax authorities.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 1 – Nature of Activities and Significant Accounting Policies, Continued

Date of Management's Review

The Foundation evaluated its December 31, 2016 financial statements for subsequent events through October 11, 2017, the date the financial statements were available to be issued. The Foundation is not aware of any additional subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – Concentration of Credit Risk

Financial instruments that subject the Foundation to a concentration of credit risk consist of demand deposits placed with financial institutions. At certain times during both 2016 and 2015, the Foundation had funds invested with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance limits. While balances may periodically exceed FDIC insurance limits the Foundation has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk related to cash and cash equivalents.

NOTE 3 - Investments

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 1,183,115	\$ 1,136,097
Exchange traded funds	241,960	252,571
	<u>\$ 1,425,075</u>	<u>\$ 1,388,668</u>

Investment income, which is reported as unrestricted income net of related investment expenses in the statement of activities, is comprised of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 57,853	\$ 45,698
Realized gains (losses).....	(25,196)	(41,870)
Unrealized gains (losses)	25,511	(43,618)
Investment expenses.....	(14,663)	(14,894)
	<u>\$ 43,505</u>	<u>\$ (54,684)</u>

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 4 – Property and Intangible Assets

Property and intangible assets at cost, and related accumulated depreciation and amortization, at December 31 is comprised of the following:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 22,384	\$ 20,915
Furniture	10,547	10,547
Other fixed assets	539	539
Website	26,460	26,460
Logo	6,000	6,000
	65,930	64,461
Less: accumulated depreciation and amortization	(50,353)	(41,372)
	\$ 15,577	\$ 23,089

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 totaled \$8,981 and \$9,105 respectively.

NOTE 5 – Retirement Plan

All Foundation employees are eligible to participate in a deferred salary savings plan under Section 403(b) of the Internal Revenue Code. The Foundation matches up to 6% of the eligible salary upon participation. Foundation employer contributions for the years ended December 31, 2016 and 2015 totaled \$28,693 and \$29,668.

NOTE 6 – Lease Commitment

In 2010, the Foundation entered into a five year lease for office space in Alexandria, Virginia beginning August 1, 2010. The lease provided for base monthly rental payments of \$4,350 with annual escalations in base rental payments. In 2015, the Foundation entered into a one year lease for the same office space beginning August 1, 2015, with monthly rental payments of \$5,400. Rent expense is recognized on a straight-line basis over the term of the lease.

Rent expense was \$65,610 and \$57,951 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 – Future Meeting Sites Commitments

The Foundation has entered into multiple hotel contracts at December 31, 2016 for symposiums taking place subsequent to year end. The Foundation can be liable for penalties up to \$89,982 if it cancels these contracts. The Foundation expects to satisfy these commitments.

NOTE 8 – Subsequent Events

The Foundation moved its headquarters from Alexandria, Virginia to Washington, D.C. as of July 31, 2017.