

**MELANOMA RESEARCH  
ALLIANCE FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**CONTENTS**

	<b>Page</b>
Independent Auditor's Report .....	1
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	5
Notes to Financial Statements .....	6

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Melanoma Research Alliance Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of Melanoma Research Alliance Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 Melanoma Research Alliance Foundation 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.

### Report on Summarized Comparative Information

We have previously audited Melanoma Research Alliance Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

July 14, 2017  
Los Angeles, California

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

STATEMENT OF FINANCIAL POSITION

December 31, 2016

With Summarized Totals at December 31, 2015

	2016			Total 2015
	Unrestricted	Temporarily Restricted	Total	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 22,555,754	\$ -	\$ 22,555,754	\$ 22,202,082
Contributions Receivable (Net)	-	8,288,256	8,288,256	10,620,521
Due from Affiliate	1,260	-	1,260	-
Prepaid Expenses and Other Assets	33,604	-	33,604	43,291
Property and Equipment (Net)	3,579	-	3,579	29,300
<b>TOTAL ASSETS</b>	<b>\$ 22,594,197</b>	<b>\$ 8,288,256</b>	<b>\$ 30,882,453</b>	<b>\$ 32,895,194</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 74,168	\$ -	\$ 74,168	\$ 463,704
Grants Payable (Net)	13,204,967	-	13,204,967	251,019
Deferred Revenue	110,000	-	110,000	265,000
Due to Affiliate	-	-	-	41,569
<b>TOTAL LIABILITIES</b>	<b>13,389,135</b>	<b>-</b>	<b>13,389,135</b>	<b>1,021,292</b>
<b>NET ASSETS:</b>				
Unrestricted	9,205,062	-	9,205,062	17,015,455
Temporarily Restricted	-	8,288,256	8,288,256	14,858,447
<b>TOTAL NET ASSETS</b>	<b>9,205,062</b>	<b>8,288,256</b>	<b>17,493,318</b>	<b>31,873,902</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 22,594,197</b>	<b>\$ 8,288,256</b>	<b>\$ 30,882,453</b>	<b>\$ 32,895,194</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

With Summarized Totals for the Year Ended December 31, 2015

	2016			Total 2015
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES, PUBLIC SUPPORT AND OTHER INCOME:</b>				
Contributions	\$ 2,318,523	\$ 3,952,602	\$ 6,271,125	\$ 3,950,871
Special Events (Net of Cost of Direct Donor Benefits of \$294,548)	1,374,162	-	1,374,162	6,871,307
Sponsorships	526,300	-	526,300	425,000
Interest Income	66,405	-	66,405	48,679
In-Kind Contributions	101,959	-	101,959	61,523
Other Income	-	-	-	8,419
Write-Off of Uncollectible Pledges Receivable	-	(110,000)	(110,000)	-
Net Assets Released from: Time Restrictions	10,412,793	(10,412,793)	-	-
<b>TOTAL REVENUES, PUBLIC SUPPORT AND OTHER INCOME</b>	14,800,142	(6,570,191)	8,229,951	11,365,799
<b>FUNCTIONAL EXPENSES:</b>				
Program Services	22,076,437	-	22,076,437	9,302,692
Management and General	177,623	-	177,623	452,520
Fundraising	356,475	-	356,475	688,608
<b>TOTAL FUNCTIONAL EXPENSES</b>	22,610,535	-	22,610,535	10,443,820
<b>CHANGE IN NET ASSETS</b>	(7,810,393)	(6,570,191)	(14,380,584)	921,979
Net Assets - Beginning of Year	17,015,455	14,858,447	31,873,902	30,951,923
<b>NET ASSETS - END OF YEAR</b>	\$ 9,205,062	\$ 8,288,256	\$ 17,493,318	\$ 31,873,902

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2016

With Summarized Totals for the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total Expenses	
				2016	2015
Research Grants	\$ 20,602,554	\$ -	\$ -	\$ 20,602,554	\$ 7,834,570
Personnel Costs	687,573	94,462	227,053	1,009,088	1,410,355
Meetings and Conferences	207,237	225	593	208,055	211,159
Professional Fees	82,298	28,219	26,685	137,202	285,540
Occupancy	90,596	36,540	28,550	155,686	149,610
Other Expenses	157,531	15,081	51,712	224,324	237,238
Travel and Entertainment	248,648	3,096	21,882	273,626	315,348
<b>TOTAL 2016</b>					
<b>FUNCTIONAL EXPENSES</b>	<u>\$ 22,076,437</u>	<u>\$ 177,623</u>	<u>\$ 356,475</u>	<u>\$ 22,610,535</u>	
	98%	1%	1%	100%	
<b>TOTAL 2015</b>					
<b>FUNCTIONAL EXPENSES</b>	<u>\$ 9,302,692</u>	<u>\$ 452,520</u>	<u>\$ 688,608</u>		<u>\$ 10,443,820</u>
	89%	4%	7%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2016

With Summarized Totals for the Year Ended December 31, 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (14,380,584)	\$ 921,979
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	25,721	21,892
Write-Off of Uncollectible Pledges Receivable	110,000	-
Change in Present Value Discount - Contributions Receivable	(15,549)	(26,441)
Change in Present Value Discount - Grants Payable	(239,523)	-
(Increase) Decrease in:		
Contributions Receivable	2,237,814	4,364,342
Due from Affiliate	(1,260)	166
Prepaid Expenses and Other Assets	9,687	(5,870)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(389,536)	575,594
Grants Payable	13,193,471	-
Deferred Revenue	(155,000)	112,500
Due to Affiliate	(41,569)	41,569
	<u>353,672</u>	<u>6,005,731</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	353,672	6,005,731
<b>CASH FLOWS USED IN INVESTING ACTIVITY:</b>		
Purchase of Property and Equipment	<u>-</u>	<u>(20,356)</u>
	353,672	5,985,375
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	353,672	5,985,375
Cash and Cash Equivalents - Beginning of Year	<u>22,202,082</u>	<u>16,216,707</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 22,555,754</u>	<u>\$ 22,202,082</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### NOTE 1 - NATURE OF ORGANIZATION

The Melanoma Research Alliance Foundation (MRA) accelerates the pace of scientific discovery and its translation into effective options for patients in order to eliminate suffering and death due to melanoma. MRA's ultimate goal is to find a cure for this deadly skin cancer.

MRA finds and funds the most promising melanoma research worldwide that will accelerate progress toward a cure. Thanks to the generous ongoing support of its founders, Debra and Leon Black, all public donations to MRA go directly to melanoma research. Since its inception in 2007, MRA has become the largest private funder of melanoma research. MRA is a 501(c)(3) charity formed under the auspices of The Milken Institute.

MRA's primary program is its worldwide research portfolio. MRA's grants make transforming advances in the prevention, diagnosis, staging, and treatment of melanoma, including research in biological causes of carcinogenesis, skin screening, biomarkers, imaging, immunotherapy, molecularly targeted therapy, and combination therapy. MRA conducts an annual Scientific Retreat and ongoing oversight activities to manage and implement this grants program, and accelerate the pace of discovery.

Collaboration is at MRA's core, from the team approaches to research that it funds, to the way it finds partners who can help realize its vision, including matching funding for research awards to enhance support for the most promising science. MRA is focused on outreach activities to engage people and organizations that share its mission, and counts upon a growing list of allies in the fight against melanoma, helping conduct programs to promote awareness and education about the dangers of melanoma, while garnering additional resources to defeat melanoma through research.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting. These financial statements are reflected on a stand-alone basis. The consolidated financial statements of The Milken Institute include the financial results of MRA.

#### (b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of MRA are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.



# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS December 31, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) ACCOUNTING (continued)

- **Temporarily Restricted.** MRA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 purpose or time restrictions. MRA has \$8,288,256 of temporarily restricted net assets at December 31, 2016.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit MRA to expend all of the income (or other economic benefits) derived from the donated assets. MRA has no permanently restricted net assets at December 31, 2016.

#### (c) CASH AND CASH EQUIVALENTS

MRA has defined cash and cash equivalents as cash in bank and money market accounts with an original maturity of three months or less. The carrying value of cash and cash equivalents at December 31, 2016 approximates its fair value.

MRA maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. MRA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### (d) CONTRIBUTIONS RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. MRA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. A discount rate of 2.5% had been used to calculate the present value discount of contributions receivable, which amounted to \$76,979 at December 31, 2016. At December 31, 2016, all contributions receivable are considered fully collectible; therefore, no allowance for doubtful pledges has been established.

#### (e) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Computer Equipment and Software	3 - 5 Years
---------------------------------	-------------

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) LONG-LIVED ASSETS

MRA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended December 31, 2016.

#### (g) REVENUE RECOGNITION AND DEFERRED REVENUE

**Contributions.** Unconditional contributions, including pledges recorded at fair value, are recognized as revenues in the period received. MRA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

**Sponsorships.** Revenues received under sponsorship agreements are deferred and recognized as income in accordance with the terms of the related agreements. Sponsorships are typically for MRA's Annual Scientific Retreat; as a result, sponsorship revenue is recognized as income in the period in which the related retreat is held.

**In-Kind Contributions.** Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions received during the year ended December 31, 2016 totaled \$101,959.

#### (h) GRANTS

Grants are charged against operations when authorized by the Board of Directors and approved by the Chief Executive Officer. The actual payment of the grant may not occur in the year of authorization. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. At December 31, 2016, a discount rate of 3.0% was applied to grants payable due beyond one year. During the year ended December 31, 2016 MRA leadership approved the remaining commitments on previously contingent grant agreements in order to align its grant approval policy and process. This had the one-time effect of increasing grant expense in 2016 by \$13,204,967 (net of a present value discount of \$239,523). Refer to Note 5.

#### (i) INCOME TAXES

MRA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and the corresponding state provisions.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(j) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing MRA's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. MRA uses functional time estimates to allocate indirect costs.

#### **(k) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

#### **(l) COMPARATIVE TOTALS AND RECLASSIFICATIONS**

The financial statements include certain prior-period summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with MRA's financial statements for the year ended December 31, 2015 from which the summarized financial information was derived. In addition, certain December 31, 2015 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2016.

#### **(m) NEW ACCOUNTING PRONOUNCEMENT**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For MRA, the ASU will be effective for the year ending December 31, 2018.

#### **(n) SUBSEQUENT EVENTS**

MRA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 14, 2017, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2016 are expected to be collected as follows:

Within One Year	\$ 5,815,235
In One to Three Years	<u>2,550,000</u>
<b>TOTAL</b>	8,365,235
Less: Present Value Discount	<u>(76,979)</u>
<b>CONTRIBUTIONS RECEIVABLE (NET)</b>	<u>\$ 8,288,256</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 consist of the following:

Computer Equipment and Software	\$ 101,179
Less: Accumulated Depreciation	<u>(97,600)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<u>\$ 3,579</u>

Depreciation expense for the year ended December 31, 2016 was \$25,721.

### NOTE 5 - GRANTS PAYABLE

Grants payable at December 31, 2016 is expected to be paid as follows:

To be Paid During 2017	\$ 9,498,594
To be Paid During 2018	3,471,936
To be Paid During 2019	<u>473,960</u>
<b>TOTAL</b>	13,444,490
Less: Present Value Discount	<u>(239,523)</u>
<b>GRANTS PAYABLE (NET)</b>	<u>\$ 13,204,967</u>

### NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 consist of the following:

Time Restricted	<u>\$ 8,288,256</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<u>\$ 8,288,256</u>

# **MELANOMA RESEARCH ALLIANCE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

### **NOTE 7 - RELATED PARTIES**

MRA was formed under the auspices of The Milken Institute (the Institute). MRA reimburses the Institute for certain services that the Institute performs on behalf of MRA. At December 31, 2016 there was no balance due to the Institute.

The Institute administers MRA's defined contribution pension plan, which is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees and the plan provides for discretionary matching of up to 3% of each participant's compensation, which vests immediately. Employees may make contributions to the plan up to the maximum annual amount allowed by the Internal Revenue Code. Pension expense charged to operations for the year ended December 31, 2016 was \$18,695.

MRA sub-leases office space and equipment from The Milken Institute under an operating lease which expired in June 2013. Since its expiration, MRA sub-leases this office space on a month-to-month basis. Rent expense under this operating lease for the year ended December 31, 2016 amounted to \$126,990.