

**MELANOMA RESEARCH  
ALLIANCE FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

**MELANOMA RESEARCH ALLIANCE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

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## INDEPENDENT AUDITORS' 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 (MRA) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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.

### Auditors' 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 auditors' 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 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 MRA as of December 31, 2012, 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 MRA's 2011 financial statements, and our report dated May 24, 2012, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and of the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

June 4, 2013  
Los Angeles, California

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

STATEMENT OF FINANCIAL POSITION

December 31, 2012

With Summarized Totals at December 31, 2011

ASSETS	2012			Total 2011
	Unrestricted	Temporarily Restricted	Total	
Cash and Cash Equivalents	\$ 9,824,412	\$ 1,137,282	\$ 10,961,694	\$ 10,332,793
Accounts Receivable	-	-	-	44,375
Contributions Receivable (Net)	-	19,806,654	19,806,654	20,439,692
Prepaid Expenses and Other Assets	81,832	-	81,832	508,274
Property and Equipment (Net)	27,278	-	27,278	6,109
<b>TOTAL ASSETS</b>	<b>\$ 9,933,522</b>	<b>\$ 20,943,936</b>	<b>\$ 30,877,458</b>	<b>\$ 31,331,243</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 169,505	\$ -	\$ 169,505	\$ 139,051
Deferred Revenue	50,000	-	50,000	70,000
Due to Affiliate	321,413	-	321,413	140,636
<b>TOTAL LIABILITIES</b>	<b>540,918</b>	<b>-</b>	<b>540,918</b>	<b>349,687</b>
<b>NET ASSETS:</b>				
Unrestricted	9,392,604	-	9,392,604	9,760,006
Temporarily Restricted	-	20,943,936	20,943,936	21,221,550
<b>TOTAL NET ASSETS</b>	<b>9,392,604</b>	<b>20,943,936</b>	<b>30,336,540</b>	<b>30,981,556</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,933,522</b>	<b>\$ 20,943,936</b>	<b>\$ 30,877,458</b>	<b>\$ 31,331,243</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2012

With Summarized Totals for the Year Ended December 31, 2011

	2012			Total 2011
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES, PUBLIC SUPPORT AND OTHER INCOME:</b>				
Contributions	\$ 1,681,786	\$ 1,982,816	\$ 3,664,602	\$ 20,886,477
Special Events (Net of Cost of Direct Donor Benefits of \$187,448)	3,299,167	1,367,499	4,666,666	-
Sponsorships	207,500	-	207,500	127,000
Interest Income	29,985	-	29,985	21,414
In-Kind Contribution	69,178	-	69,178	-
Other Income	54,500	-	54,500	-
Net Assets Released from:				
Purpose Restrictions	1,040,206	(1,040,206)	-	-
Time Restrictions	2,587,723	(2,587,723)	-	-
<b>TOTAL REVENUES, PUBLIC SUPPORT AND OTHER INCOME</b>	<b>8,970,045</b>	<b>(277,614)</b>	<b>8,692,431</b>	<b>21,034,891</b>
<b>FUNCTIONAL EXPENSES:</b>				
Program Services	8,476,752	-	8,476,752	6,024,335
Management and General	375,042	-	375,042	262,558
Fundraising	485,653	-	485,653	369,545
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>9,337,447</b>	<b>-</b>	<b>9,337,447</b>	<b>6,656,438</b>
<b>CHANGE IN NET ASSETS</b>	<b>(367,402)</b>	<b>(277,614)</b>	<b>(645,016)</b>	<b>14,378,453</b>
Net Assets - Beginning of Year	9,760,006	21,221,550	30,981,556	16,603,103
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,392,604</b>	<b>\$ 20,943,936</b>	<b>\$ 30,336,540</b>	<b>\$ 30,981,556</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2012

With Summarized Totals for the Year Ended December 31, 2011

	Program Services	Management and General	Fundraising	Total Expenses	
				2012	2011
Research Grants	\$ 7,431,733	\$ -	\$ -	\$ 7,431,733	\$ 5,103,877
Personnel Costs	379,334	235,552	309,543	924,429	710,810
Professional Fees	304,240	48,375	44,972	397,587	297,689
Meetings and Conferences	231,809	12,971	2,952	247,732	274,398
Occupancy	66,276	41,750	55,898	163,924	138,640
Other Expenses	35,925	27,376	24,838	88,139	56,239
Travel and Entertainment	27,435	9,018	47,450	83,903	74,785
<b>TOTAL 2012</b>					
<b>FUNCTIONAL EXPENSES</b>	<u>\$ 8,476,752</u>	<u>\$ 375,042</u>	<u>\$ 485,653</u>	<u>\$ 9,337,447</u>	
<b>TOTAL 2011</b>					
<b>FUNCTIONAL EXPENSES</b>	<u>\$ 6,024,335</u>	<u>\$ 262,558</u>	<u>\$ 369,545</u>		<u>\$ 6,656,438</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2012

With Summarized Totals for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (645,016)	\$ 14,378,453
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	7,676	3,451
Change in Present Value Discount	(52,276)	199,930
(Increase) Decrease in:		
Accounts Receivable	44,375	10,650
Contributions Receivable	685,314	(11,171,260)
Prepaid Expenses and Other Assets	426,442	9,572
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	30,454	69,655
Deferred Revenue	(20,000)	45,000
Due to Affiliate	180,777	130,355
	<u>657,746</u>	<u>3,675,806</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITY:</b>		
Purchase of Property and Equipment	<u>(28,845)</u>	<u>(4,165)</u>
	<u>628,901</u>	<u>3,671,641</u>
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>		
Cash and Cash Equivalents - Beginning of Year	<u>10,332,793</u>	<u>6,661,152</u>
	<u><u>\$ 10,961,694</u></u>	<u><u>\$ 10,332,793</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### 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, 2012

### 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 \$20,943,936 of temporarily restricted net assets at December 31, 2012.
- **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, 2012.

#### (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, 2012 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) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of sponsor, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At December 31, 2012, all receivables are considered fully collectible; therefore, no allowance for doubtful accounts has been established.

#### (e) 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. Various discount rates ranging from 0.5% to 2.5% have been used to calculate the present value of contributions receivable, which amounted to \$147,654 at December 31, 2012. At December 31, 2012, all contributions receivable are considered fully collectible; therefore, no allowance for doubtful pledges has been established.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

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

#### (g) 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, 2012.

#### (h) 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.

#### (i) 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.

#### (j) INCOME TAXES

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

#### (k) 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.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

#### (l) 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.

#### (m) COMPARATIVE TOTALS

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, 2011 from which the summarized financial information was derived.

#### (n) SUBSEQUENT EVENTS

MRA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2012 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 4, 2013, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2012 are expected to be collected as follows:

Within One Year	\$ 8,629,308
In One to Five Years	<u>11,325,000</u>
<b>TOTAL</b>	19,954,308
Less: Present Value Discount	<u>(147,654)</u>
<b>CONTRIBUTIONS RECEIVABLE (NET)</b>	<u>\$ 19,806,654</u>

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012 consist of the following:

Computer Equipment and Software	\$ 41,162
Less: Accumulated Depreciation	<u>(13,884)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<u>\$ 27,278</u>

Depreciation expense for the year ended December 31, 2012 was \$7,676.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012

### NOTE 5 - COMMITMENTS AND CONTINGENCIES

MRA sub-leases office space and equipment from The Milken Institute (see Note 7) under an operating lease expiring in June 2013. The future minimum lease payment under the operating lease as of December 31, 2012 is \$66,483.

Rent expense under this operating lease for the year ended December 31, 2012 amounted to \$137,070.

### NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 consist of the following:

Time Restricted	\$ 19,806,654
Young Investigator Awards	<u>1,137,282</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 20,943,936</u></b>

### 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 and the balance due to the Institute at December 31, 2012 totaled \$321,413.

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 2% 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, 2012 was \$14,436.