



**LYMPHOMA RESEARCH FOUNDATION**

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## **Independent Auditors' Report**

The Board of Directors  
Lymphoma Research Foundation:

We have audited the accompanying financial statements of Lymphoma Research Foundation (the Foundation), which comprise the balance sheets as of June 30, 2014 and 2013, 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 U.S. generally accepted accounting principles; 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 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 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 organization'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 organization'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 Lymphoma Research Foundation as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

November 5, 2014

## LYMPHOMA RESEARCH FOUNDATION

### Balance Sheets

June 30, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents (note 4)	\$ 1,153,489	1,120,048
Contributions and grants receivable (note 3)	454,477	637,369
Prepaid expenses and other assets	205,922	245,750
Investments (note 4)	9,576,437	12,001,876
Property and equipment, net	84,667	105,065
Total assets	<u>\$ 11,474,992</u>	<u>14,110,108</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses (note 7)	\$ 402,784	297,648
Accrued salaries and vacation	274,992	268,444
Refundable advances	88,750	158,000
Research grants payable (note 5)	3,999,977	6,436,894
Total liabilities	<u>4,766,503</u>	<u>7,160,986</u>
Commitments (note 7)		
Net assets:		
Unrestricted	2,346,922	3,552,237
Temporarily restricted (note 8)	4,361,567	3,396,885
Total net assets	<u>6,708,489</u>	<u>6,949,122</u>
Total liabilities and net assets	<u>\$ 11,474,992</u>	<u>14,110,108</u>

See accompanying notes to financial statements.

## LYMPHOMA RESEARCH FOUNDATION

### Statements of Activities

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Change in unrestricted net assets:		
Contributions and revenues:		
Contributions:		
Special events revenue and related contributions	\$ 3,185,995	4,020,099
Less costs of direct benefits to donors	(171,260)	(255,540)
Contributions and grants	2,662,170	1,466,902
Total contributions	5,676,905	5,231,461
Revenues:		
Investment income (note 4)	4,408	65,241
Other revenue	46,178	64,308
Total revenues	50,586	129,549
Total contributions and revenues before net assets released from restrictions	5,727,491	5,361,010
Net assets released from restrictions (note 8)	2,952,814	5,046,085
Total contributions and revenues	8,680,305	10,407,095
Expenses:		
Program services:		
Educational programs and patient services	3,316,365	3,248,276
Research	2,490,226	3,963,355
Communications and advocacy	1,731,246	1,505,301
Total program services	7,537,837	8,716,932
Supporting services:		
Administration	343,696	354,260
Fundraising	2,004,087	1,903,472
Total supporting services	2,347,783	2,257,732
Total expenses	9,885,620	10,974,664
Decrease in unrestricted net assets	(1,205,315)	(567,569)
Change in temporarily restricted net assets:		
Contributions and grants	3,917,496	4,743,941
Net assets released from restrictions (note 8)	(2,952,814)	(5,046,085)
Increase (decrease) in temporarily restricted net assets	964,682	(302,144)
Decrease in net assets	(240,633)	(869,713)
Net assets at beginning of year	6,949,122	7,818,835
Net assets at end of year	\$ 6,708,489	6,949,122

See accompanying notes to financial statements.

**LYMPHOMA RESEARCH FOUNDATION**

Statement of Functional Expenses

Year ended June 30, 2014

	Program services				Supporting services			Total 2014
	Educational programs and patient services	Research	Communications and advocacy	Total program services	Administration	Fundraising	Total supporting services	
Grants (note 5)	\$ 271,400	1,035,000	—	1,306,400	—	—	—	1,306,400
Salaries	1,010,527	364,228	561,404	1,936,159	167,052	744,887	911,939	2,848,098
Payroll taxes and employee benefits	251,941	90,806	139,967	482,714	41,649	187,677	229,326	712,040
Conferences and events	978,925	121,624	7,642	1,108,191	12,620	232,461	245,081	1,353,272
Costs of direct benefits to donors	—	—	—	—	—	171,260	171,260	171,260
Dues and subscriptions	4,364	4,617	27,852	36,833	356	5,364	5,720	42,553
Insurance	8,747	3,153	2,845	14,745	1,446	8,497	9,943	24,688
Licenses and permits	850	306	276	1,432	2,340	20,753	23,093	24,525
Marketing and promotion	67,218	22,955	616,865	707,038	237	43,732	43,969	751,007
Processing fees and other	15,831	2,911	3,026	21,768	3,936	135,129	139,065	160,833
Office equipment	17,825	1,943	1,754	21,522	891	48,298	49,189	70,711
Office supplies	11,893	3,639	2,771	18,303	1,165	19,267	20,432	38,735
Postage and shipping	52,792	7,041	2,947	62,780	321	58,122	58,443	121,223
Printing and publications	87,787	22,772	18,114	128,673	573	81,823	82,396	211,069
Professional fees	40,273	609,955	242,287	892,515	56,267	108,261	164,528	1,057,043
Rent (note 7)	144,832	52,202	47,100	244,134	24,074	140,122	164,196	408,330
Repairs and maintenance	24,365	8,782	7,924	41,071	4,028	25,466	29,494	70,565
Telecommunications	122,977	5,547	5,181	133,705	3,244	16,190	19,434	153,139
Travel	180,179	124,225	35,603	340,007	19,589	105,168	124,757	464,764
Depreciation and amortization	23,639	8,520	7,688	39,847	3,908	22,870	26,778	66,625
Subtotal	3,316,365	2,490,226	1,731,246	7,537,837	343,696	2,175,347	2,519,043	10,056,880
Less direct donor benefit expenses	—	—	—	—	—	(171,260)	(171,260)	(171,260)
Total expenses	\$ 3,316,365	2,490,226	1,731,246	7,537,837	343,696	2,004,087	2,347,783	9,885,620

See accompanying notes to financial statements.

**LYMPHOMA RESEARCH FOUNDATION**

Statement of Functional Expenses

Year ended June 30, 2013

	Program services				Supporting services			Total 2013
	Educational programs and patient services	Research	Communications and advocacy	Total program services	Administration	Fundraising	Total supporting services	
Grants (note 5)	\$ 209,800	3,110,000	—	3,319,800	—	—	—	3,319,800
Salaries	982,206	400,392	585,766	1,968,364	190,415	659,204	849,619	2,817,983
Payroll taxes and employee benefits	245,181	99,947	146,220	491,348	47,532	168,547	216,079	707,427
Conferences and events	930,684	77,705	11,624	1,020,013	9,759	302,606	312,365	1,332,378
Costs of direct benefits to donors	—	—	—	—	—	255,540	255,540	255,540
Dues and subscriptions	3,607	2,899	25,466	31,972	381	5,275	5,656	37,628
Insurance	8,450	3,445	5,039	16,934	1,638	5,671	7,309	24,243
Licenses and permits	2,255	919	1,345	4,519	537	18,645	19,182	23,701
Marketing and promotion	39,633	9,069	307,837	356,539	2,504	51,511	54,015	410,554
Processing fees and other	8,414	487	1,708	10,609	3,880	136,268	140,148	150,757
Office equipment	13,895	1,754	3,191	18,840	834	48,780	49,614	68,454
Office supplies	12,719	3,018	4,486	20,223	1,316	19,868	21,184	41,407
Postage and shipping	84,045	6,542	3,301	93,888	281	60,439	60,720	154,608
Printing and publications	66,028	25,365	18,871	110,264	475	86,043	86,518	196,782
Professional fees	199,554	46,408	249,438	495,400	54,083	120,998	175,081	670,481
Rent (note 7)	138,822	56,590	82,791	278,203	26,913	93,195	120,108	398,311
Repairs and maintenance	31,715	12,713	18,599	63,027	6,046	22,215	28,261	91,288
Telecommunications	110,358	6,142	9,168	125,668	2,886	12,202	15,088	140,756
Travel	145,512	93,683	21,268	260,463	1,795	81,671	83,466	343,929
Depreciation and amortization	15,398	6,277	9,183	30,858	2,985	10,334	13,319	44,177
Subtotal	3,248,276	3,963,355	1,505,301	8,716,932	354,260	2,159,012	2,513,272	11,230,204
Less direct donor benefit expenses	—	—	—	—	—	(255,540)	(255,540)	(255,540)
Total expenses	\$ 3,248,276	3,963,355	1,505,301	8,716,932	354,260	1,903,472	2,257,732	10,974,664

See accompanying notes to financial statements.

**LYMPHOMA RESEARCH FOUNDATION**

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Change in net assets	\$ (240,633)	(869,713)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	66,625	44,177
Realized loss (gain) on investments	218	(969)
Unrealized loss on investments	43,699	—
Changes in operating assets and liabilities:		
Contributions and grants receivable	182,892	321,040
Prepaid expenses and other assets	39,828	(11,253)
Accounts payable and accrued expenses	105,136	6,611
Accrued salaries and vacation	6,548	43,849
Refundable advances	(69,250)	(276,850)
Research grants payable	(2,436,917)	80,720
Net cash used in operating activities	(2,301,854)	(662,388)
Cash flows from investing activities:		
Proceeds from investment sales	8,381,530	4,936,287
Purchases of investments	(6,000,008)	(6,580,120)
Purchase of equipment	(46,227)	(54,759)
Net cash provided by (used in) investing activities	2,335,295	(1,698,592)
Net increase (decrease) in cash and cash equivalents	33,441	(2,360,980)
Cash and cash equivalents at beginning of year	1,120,048	3,481,028
Cash and cash equivalents at end of year	\$ 1,153,489	1,120,048

See accompanying notes to financial statements.

# LYMPHOMA RESEARCH FOUNDATION

## Notes to Financial Statements

June 30, 2014 and 2013

### (1) Organization

The Lymphoma Research Foundation (the Foundation) is a nonprofit corporation, which is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and similar provisions at the state and local level. The Foundation is the nation's largest nonprofit organization devoted to only funding innovative lymphoma research and providing patients and their families and healthcare professionals with up-to-date education about this type of cancer. The Foundation's mission is to eradicate lymphoma and serve those touched by this disease. The Foundation's primary sources of income are contributions and grants.

To help ensure that the amounts the Foundation raises is directed toward cutting-edge lymphoma-related research, decisions of what research will be funded are made by the deliberations of the Foundation's Scientific Advisory Board (SAB). The SAB is comprised of a volunteer group of scientists and clinicians distinguished in the fields of lymphoma research and treatment. They make their judgments on applications for funding based on the scientific and innovative merits of the projects proposed, the demonstrated ability of the researcher and sponsor, and the suitability of the institution. The members of the SAB review the applications independently and then meet to discuss the proposals at periodic meetings scheduled throughout the year.

In addition to evaluating grant applications, the SAB counsels the Foundation's Board of Directors and staff on the direction of its overall strategic scientific agenda in order to remain current with the pace and direction of the rapidly evolving area of blood cancer research.

The Board of Directors studies the recommendations of the SAB. Their aim is to approve those recommended grant applications and projects which seem most likely to have an impact on lymphoma-related research and treatments, and therefore most likely to help the Foundation achieve its overall goals. The Foundation funds research projects submitted by individuals associated with accredited academic institutions, Joint Commission on Accreditation of Healthcare Organizations (JCAHO), accredited research hospitals, and other research organizations that have strong national and international reputations.

The Foundation is also dedicated to serving those touched by lymphoma. To accomplish this, the Foundation provides national, regional, and local educational conferences and symposiums, advocacy programs, online webcast educational programming, telephone educational workshops, and educational publications. The Foundation's educational programs and publications provide lymphoma patients and their loved ones with current and comprehensive information about the disease, its treatments, promising research in lymphoma, and how to better manage the psycho/social issues associated with living with lymphoma. The Foundation also offers a Lymphoma Helpline and Clinical Trials Information Service, a nationwide peer support program, and financial assistance to lymphoma patients receiving treatment.

The Foundation has experienced a decrease in net assets during the past two fiscal years and as a result has undertaken various steps to address the deficit. A business restructuring plan was developed and implemented to support strategies designed to grow revenues. Estimated costs incurred to implement the plan recognized as expense was \$451,000 in 2014.

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### Notes to Financial Statements

June 30, 2014 and 2013

#### (2) Summary of Significant Accounting Policies

##### (a) *Basis of Presentation*

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and the changes therein are classified and reported as follows:

*Unrestricted* – Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted* – Net assets subject to donor-imposed restrictions that will be met by actions of the Foundation and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets.

##### (b) *Accounting Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the financial statements include the net realizable value of contributions and grants receivable, the valuation of contributed services and functional expense allocations. Actual results could differ from those estimates.

##### (c) *Fair Value*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amounts of the Foundation's contributions and grants receivable, accounts payable and accrued expenses, and research grants payable approximated their fair values at June 30, 2014 because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

##### (d) *Contributions*

Contributions, including unconditional promises to give (pledges), are recognized initially at fair value as revenue upon receipt and are considered to be unrestricted unless they are received with

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### Notes to Financial Statements

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donor stipulations that limit their use through either purpose or time restrictions. Contributions with donor stipulations that limit their use are considered to be temporarily restricted until the donor restrictions expire, that is, when a time restriction ends or purpose restriction is fulfilled. Upon the expiration of donor stipulations, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

During the years ended June 30, 2014 and 2013, the Foundation received \$1,062,657 and \$247,141, respectively, in contributions in-kind that are reported as contributions in the accompanying statements of activities and functional expenses. The 2014 and 2013 amounts include \$479,407 and \$247,141 respectively, recognized in revenues and expenses from Google grants. The 2014 amount includes \$583,000 recognized in revenues and expenses associated with the recognition of time spent by SAB members to carry out the requirements of its research program as well as support the Foundation's professional and patient education programs. This is the first time the Foundation recognized a contributions from the SAB. Without the volunteer support these physicians provide the Foundation, the organization would be required to compensate physicians to perform these services.

A substantial number of other volunteers have donated significant amounts of their time in supporting the Foundation's activities. No amounts have been reflected in the accompanying financial statements for these donated services since they do not meet the criteria for recognition.

**(e) Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of 90 days or less when acquired to be cash equivalents, with the exception of cash and those short-term investments that are maintained in the Foundation's investment portfolio.

**(f) Investments**

Investments are reported at fair value based upon quoted market prices.

**(g) Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from 2 to 5 years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. The Foundation capitalizes all property and equipment having a cost of \$1,000 or more and a useful life of at least two years.

**(h) Refundable Advances**

Amounts received by the Foundation for certain special events are reflected as refundable advances until the event occurs. The majority of these amounts are characterized by the Foundation as an exchange transaction.

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### Notes to Financial Statements

June 30, 2014 and 2013

(i) **Functional Expense Allocations**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) **Income Taxes**

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Internal Revenue Code Section 511. The Foundation did not recognize any unrelated business income tax liability for the years ended June 30, 2014 and 2013.

(3) **Contributions and Grants Receivable**

Contributions and grants receivable are scheduled to be collected as follows at June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Amount due in one year or less	\$ 444,477	611,869
Amount due in five years	10,000	25,500
	\$ 454,477	637,369

(4) **Investments**

The following tables present the Foundation's fair value hierarchy for investments measured at fair value as of June 30, 2014 and 2013:

	<b>2014</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
Investments:			
Money market fund	\$ 1,394,045	1,394,045	—
Mutual funds – U.S. Treasury funds	145,995	145,995	—
Certificates of deposit	8,036,397	—	8,036,397
Total investments	\$ 9,576,437	1,540,040	8,036,397

	<b>2013</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
Investments:			
Money market fund	\$ 1,605,890	1,605,890	—
Mutual funds – U.S. Treasury funds	145,986	145,986	—
Certificates of deposit	10,250,000	—	10,250,000
Total investments	\$ 12,001,876	1,751,876	10,250,000

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### Notes to Financial Statements

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Investment income consists of the following for the years ended June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Interest and dividends	\$ 48,325	64,272
Realized (loss) gain on investments	(218)	969
Unrealized loss on investments	(43,699)	—
	\$ 4,408	65,241

The Foundation maintains cash and cash equivalents in major financial institutions. Investments that are described above include certificates of deposit (CDs) having original maturities greater than 90 days. The CDs are maintained at a number of financial institutions. As of June 30, 2014, there was no exposure of credit risk that exceeded the Federal Deposit Insurance Corporation insurance limits for both cash and cash equivalents and CDs.

#### (5) Research and Patient Aid Grants

Research grant expense is recorded when the grant is approved by the Foundation and the grantee is notified of the award. Research grants are generally awarded for a two to three-year period, with payments made quarterly.

The Foundation offers a financial assistance program for people currently undergoing treatment for lymphoma. Patient aid grants assist with quality of life expenses.

The following provides grant activity for fiscal years 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Grants payable, beginning of year	\$ 6,436,894	6,356,174
Grants awarded	1,306,400	3,319,800
Grant payments and cancellations	(3,743,317)	(3,239,080)
Grant payable, end of year	\$ 3,999,977	6,436,894

Grants payable are scheduled to be paid as follows as of June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Amount payable in one year or less	\$ 2,677,977	3,102,837
Amount payable in more than one year	1,322,000	3,334,057
	\$ 3,999,977	6,436,894

#### (6) Pension Plan

The Foundation maintains a retirement plan pursuant to Internal Revenue Code Section 403(b) for its employees. Employees are eligible to participate immediately. Under the terms of the plan, employees are

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entitled to defer a portion of their annual compensation, within limitations established by the Internal Revenue Code. During 2006, the Foundation started a matching program whereby it contributes an amount equal to 5% of annual compensation for eligible employees provided that the employees contributes at least 3% to the plan. Retirement expense under the plan amounted to \$88,000 and \$109,000 for the years ended June 30, 2014 and 2013, respectively.

**(7) Commitments**

The Foundation has lease agreements for the rental of its New York, California, and Illinois offices. Minimum annual rentals related to these leases are approximately as follows for the years ended subsequent to June 30, 2014:

2015	\$	392,000
2016		399,000
2017		384,000
2018		339,000
2019		85,000
		1,599,000
	\$	1,599,000

The Foundation leases its New York City office whereby the landlord has provided periods of free rent. The Foundation recorded a liability for this free rent that it amortizes on a straight-line basis over the life of the lease. Included in accounts payable and accrued expenses is deferred rent of \$11,438 and \$14,957 as of June 30, 2014 and 2013, respectively.

Rent expense for the years ended June 30, 2014 and 2013 amounted to approximately \$408,000 and \$398,000, respectively.

**(8) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following as of June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Research	\$ 2,214,679	1,132,228
Educational programs and patient services	2,047,304	2,229,013
Patient aid	99,584	35,644
	\$ 4,361,567	3,396,885

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Net assets were released from restrictions during the years ended June 30, 2014 and 2013 by incurring expenses or the passage of time, thus satisfying the restricted purposes as follows:

	<u>2014</u>	<u>2013</u>
Research grants	\$ 1,135,105	3,110,000
Educational programs and patient services	1,670,209	1,726,285
Patient aid	147,500	209,800
	<u>\$ 2,952,814</u>	<u>5,046,085</u>

**(9) Subsequent Events**

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events after the balance sheet date of June 30, 2014 through November 5, 2014, which was the date the financial statements were available to be issued and determined that there were no additional matters that are required to be disclosed.