

ALLIANCE FOR CANCER GENE THERAPY, INC.
(A Connecticut Not-for-Profit Organization)

Financial Statements

April 30, 2017 and 2016

(With Supplementary Information)

ALLIANCE FOR CANCER GENE THERAPY, INC.
(A Connecticut Not-for-Profit Organization)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Alliance for Cancer Gene Therapy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Alliance for Cancer Gene Therapy, Inc. ("ACGT") which comprise the statement of financial position as of April 30, 2017, and the related statements of activities 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 2017 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 2017 financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Cancer Gene Therapy, Inc. as of April 30, 2017, 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.

Prior Period Financial Statements

The financial statements of Alliance for Cancer Gene Therapy, Inc. as of and for the year ended April 30, 2016 were audited by other auditors whose report dated August 12, 2016, expressed an unmodified opinion on those financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended April 30, 2017 shown on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2017 financial statements as a whole. The accompanying schedule of functional expenses for the year ended April 30, 2016 shown on page 13 was subjected to the auditing procedures applied in the April 30, 2016 audit of the basic financial statements by other auditors, whose report on such information stated that the 2016 schedule of functional expenses was fairly stated in all material respects in relation to the year ended April 30, 2016 financial statements as a whole.

EisnerAmper LLP

Iselin, New Jersey
October 12, 2017

Alliance for Cancer Gene Therapy, Inc.
Statements of Financial Position
April 30, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	\$ 1,604,418	\$ 1,259,779
Investments, at fair value	4,338,812	3,861,376
Contributions receivable	89,200	-
Other assets	<u>14,721</u>	<u>10,633</u>
Total assets	<u>\$ 6,047,151</u>	<u>\$ 5,131,788</u>
Liabilities:		
Grants payable	\$ 1,415,118	\$ 1,753,299
Accrued expenses	<u>64,937</u>	<u>56,401</u>
Total liabilities	<u>1,480,055</u>	<u>1,809,700</u>
Net assets:		
Unrestricted	1,420,651	824,240
Temporarily restricted	<u>3,146,445</u>	<u>2,497,848</u>
Total net assets	<u>4,567,096</u>	<u>3,322,088</u>
Total liabilities and net assets	<u>\$ 6,047,151</u>	<u>\$ 5,131,788</u>

See notes to financial statements.

Alliance for Cancer Gene Therapy, Inc.
Statements of Activities
Years Ended April 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 71,400	\$ 821,725	\$ 893,125	\$ 300,986	\$ 962,870	\$ 1,263,856
Special events (net of direct benefits to donors of \$73,461 and \$0, respectively)	100,000	337,669	437,669	-	-	-
Contributed services	674,007	-	674,007	461,802	-	461,802
Interest and dividend income	90,116	-	90,116	101,788	-	101,788
Realized and unrealized gains (losses) on investments	494,223	-	494,223	(362,703)	-	(362,703)
Other income	232,370	-	232,370	-	-	-
Net assets released from restrictions	510,797	(510,797)	-	1,237,526	(1,237,526)	-
Total support and revenue	2,172,913	648,597	2,821,510	1,739,399	(274,656)	1,464,743
Expenses:						
Program services:						
Research grants and awards	1,070,485	-	1,070,485	1,626,508	-	1,626,508
Support services:						
Management and general	297,493	-	297,493	219,584	-	219,584
Fundraising	208,524	-	208,524	154,222	-	154,222
Total expenses	1,576,502	-	1,576,502	2,000,314	-	2,000,314
Increase (decrease) in net assets	596,411	648,597	1,245,008	(260,915)	(274,656)	(535,571)
Net assets at beginning of year	824,240	2,497,848	3,322,088	1,085,155	2,772,504	3,857,659
Net assets at end of year	\$ 1,420,651	\$ 3,146,445	\$ 4,567,096	\$ 824,240	\$ 2,497,848	\$ 3,322,088

See notes to financial statements.

Alliance for Cancer Gene Therapy, Inc.
Statements of Cash Flows
Years Ended April 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,245,008	\$ (535,571)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(494,223)	362,703
Increase in contributions receivable	(89,200)	-
(Increase) decrease in other assets	(4,088)	13,890
(Decrease) increase in grants payable	(338,181)	614,046
Increase in accrued expenses	8,536	21,360
Net cash provided by operating activities	<u>327,852</u>	<u>476,428</u>
Cash flows from investing activities:		
Purchase of investments	-	(355,337)
Proceeds from sales and maturities of investments	16,787	492,538
Net cash provided by investing activities	<u>16,787</u>	<u>137,201</u>
Net increase in cash and cash equivalents	344,639	613,629
Cash and cash equivalents at beginning of year	<u>1,259,779</u>	<u>646,150</u>
Cash and cash equivalents at end of year	<u>\$ 1,604,418</u>	<u>\$ 1,259,779</u>

See notes to financial statements.

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2017 and 2016

(1) Organization

Alliance for Cancer Gene Therapy, Inc. ("ACGT"), a not-for-profit organization, was established in Connecticut in 2001 to raise and provide funding for scientific research to aid in accelerating the development of cell and gene based therapies to treat cancers.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support and revenues is based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ACGT and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of ACGT or the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to temporarily restricted support at the time of receipt and as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the corpus be invested in perpetuity and that only the investment income be made available for operations in accordance with donor restrictions. There are no permanently restricted net assets as of April 30, 2017 or 2016.

ACGT has committed that as of April 30, 2017 and 2016, 100% of restricted contributions will be used to fund research grants and awards, provided that such expenditures comply with donor restrictions and have been recorded as temporarily restricted net assets. Income from investments, including realized and unrealized gains and losses, dividends, and interest are reported as increases (or decreases) in unrestricted net assets unless their use is restricted by explicit donor-imposed restrictions or by law.

Direct fund-raising expenses amounted to \$43,267 and \$44,906 for the years ended April 30, 2017 and 2016, respectively. In addition, fund-raising expenses included in contributed services amounted to \$165,257 and \$109,316 for the years ended April 30, 2017 and 2016, respectively.

(c) Cash and Cash Equivalents

Cash equivalents represent short-term investments with original maturities of three months or less.

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2017 and 2016

(d) Investments

The investment committee of ACGT's Board of Directors approves and monitors all investments. All investments are reported at fair value in the statements of financial position. Fair values of individual securities are determined by quoted market prices, where available, or by independent pricing services. Unrealized gains and losses on investments are included in the statements of activities. Gains and losses on sales of investments are determined on the basis of specific identification.

(e) Contributions Receivable

ACGT periodically evaluates the collectability of contributions receivable and records an allowance for uncollectible amounts, as necessary. Management has determined that an allowance is not deemed necessary as of April 30, 2017. The contributions receivable balance as of April 30, 2017 is expected to be received within one year of the statement of financial position date.

(f) Grants

ACGT records grants payable when the grants are approved by its Board of Directors. Grants that are payable beyond one year are reported at the present value of the future cash flows. Discount rates of 1.80% and 1.30% were used at April 30, 2017 and 2016, respectively.

(g) Revenue Recognition

Contributions, which include unconditional promises to give, are recognized as revenue in the period received.

Special events revenues are recorded in the period in which each event occurs.

(h) Contributed Services

ACGT received contributed services from an entity controlled by ACGT's Honorary Chairman of the Board and Co-Founder, consisting primarily of salaries and rent. Contributed services are measured at the cost recognized by such entity based on time spent by such entity's personnel in providing those services.

(i) Income Taxes

ACGT is incorporated in the state of Connecticut. In 2001, ACGT received an exemption from federal income taxes from the Internal Revenue Service under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2017 and 2016

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if ACGT has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by ACGT and has concluded that as of April 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

ACGT recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest and penalties recorded for the years ended April 30, 2017 and 2016.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) New Accounting Pronouncement

In August 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements and related disclosures.

(l) Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year's presentation, with no change to total net assets.

(3) Concentration of Support

For the year ended April 30, 2017, two charitable foundations accounted for 25% and 9% of total contributions. For the year ended April 30, 2016, one individual and one charitable foundation accounted for 16% and 26% of total contributions, respectively.

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements April 30, 2017 and 2016

(4) Investments

The fair value of investments are as follows at April 30:

	<u>2017</u>	<u>2016</u>
Exchange-traded funds:		
Domestic equity	\$2,467,709	\$2,086,923
International equity	1,185,833	1,065,925
Fixed income	551,666	555,460
Commodities	52,647	53,911
U.S. government-sponsored enterprise mortgage-backed securities	<u>80,957</u>	<u>99,157</u>
	<u>\$4,338,812</u>	<u>\$3,861,376</u>

(5) Fair Value Measurements

For all financial and nonfinancial assets and liabilities accounted for at fair value on a recurring basis, ACGT utilizes valuation techniques based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect ACGT's market expectations. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments where significant value drivers are unobservable.

When available, ACGT uses quoted market prices to determine fair value and classifies such items in Level 1. In some cases, ACGT uses quoted market prices for similar instruments in active markets and/or model-derived valuations where inputs are observable in active markets and classifies such items in Level 2. When there are limited or inactive trading markets, ACGT uses industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. These items are classified in Level 3. The following section describes the valuation methodologies ACGT uses to measure different financial instruments at fair value.

The financial instruments within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indicator of the risk of the liquidity associated with the underlying assets and liabilities.

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2017 and 2016

Investments in Fixed Maturities and Equity Securities

Investments included in Level 1 are exchange traded funds with quoted market prices. Level 2 comprises U.S. government-sponsored enterprise mortgage-backed securities that are priced with observable market inputs.

The following tables present ACGT's financial assets measured at fair value on a recurring basis at April 30, 2017 and 2016, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2017 Investments:				
Exchange-traded funds:				
Domestic Equity	\$ 2,467,709	\$ -	\$ -	\$ 2,467,709
International Equity	1,185,833	-	-	1,185,833
Fixed Income	551,666	-	-	551,666
Commodities	52,647	-	-	52,647
U.S. government-sponsored enterprise mortgage-backed securities	-	80,957	-	80,957
Total	<u>\$ 4,257,855</u>	<u>\$ 80,957</u>	<u>\$ -</u>	<u>\$ 4,338,812</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2016 Investments:				
Exchange-traded funds:				
Domestic Equity	\$ 2,086,923	\$ -	\$ -	\$ 2,086,923
International Equity	1,065,925	-	-	1,065,925
Fixed Income	555,460	-	-	555,460
Commodities	53,911	-	-	53,911
U.S. government-sponsored enterprise mortgage-backed securities	-	99,157	-	99,157
Total	<u>\$ 3,762,219</u>	<u>\$ 99,157</u>	<u>\$ -</u>	<u>\$ 3,861,376</u>

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2017 and 2016

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such circumstances, the transfer is reported at the beginning of the reporting period. For the years ended April 30, 2017 and 2016, there were no transfers into or out of Levels 1, 2 or 3.

(6) Grants Payable

Research grants payable at April 30 consist of:

	<u>2017</u>	<u>2016</u>
Gross grants payable	\$ 1,427,599	\$ 1,776,577
Less unamortized discount to present value	<u>(12,481)</u>	<u>(23,278)</u>
	<u>\$ 1,415,118</u>	<u>\$ 1,753,299</u>

Research grants payable are scheduled to be paid as follows:

Less than one year	\$ 841,800	\$ 848,978
One to five years	<u>585,799</u>	<u>927,599</u>
	<u>\$ 1,427,599</u>	<u>\$ 1,776,577</u>

(7) Subsequent Events

ACGT has evaluated subsequent events through October 12, 2017, which is the date the financial statements were available to be issued.

Alliance for Cancer Gene Therapy, Inc.
Schedule of Functional Expenses
Year Ended April 30, 2017

	Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Direct expenses:					
Research grants	\$ 510,797	\$ -	\$ -	\$ -	\$ 510,797
Professional fees	40,055	36,000	3,340	39,340	79,395
Legal	83,899	-	-	-	83,899
Website development	17,995	5,780	2,304	8,084	26,079
Communication	109,682	-	10,015	10,015	119,697
Printing and reproduction	13,766	759	10,775	11,534	25,300
Corporate functions	10,660	-	569	569	11,229
Travel	7,165	1,947	5,439	7,386	14,551
Miscellaneous	5,735	14,988	10,825	25,813	31,548
Total direct expenses	<u>799,754</u>	<u>59,474</u>	<u>43,267</u>	<u>102,741</u>	<u>902,495</u>
Contributed services:					
Salaries and benefits	266,666	225,825	161,192	387,017	653,683
Rent	4,065	12,194	4,065	16,259	20,324
Total contributed services	<u>270,731</u>	<u>238,019</u>	<u>165,257</u>	<u>403,276</u>	<u>674,007</u>
Total expenses	<u>1,070,485</u>	<u>297,493</u>	<u>208,524</u>	<u>506,017</u>	<u>1,576,502</u>
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>73,461</u>	<u>73,461</u>	<u>73,461</u>
Total expenses and direct benefits to donors	<u>\$ 1,070,485</u>	<u>\$ 297,493</u>	<u>\$ 281,985</u>	<u>\$ 579,478</u>	<u>\$ 1,649,963</u>

Alliance for Cancer Gene Therapy, Inc.
Schedule of Functional Expenses
Year Ended April 30, 2016

	<u>Support Services</u>			<u>Total Support Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Direct expenses:					
Research grants	\$ 1,237,526	\$ -	\$ -	\$ -	\$ 1,237,526
Professional fees	10,851	20,050	8,000	28,050	38,901
Legal	21,552	-	-	-	21,552
Website development	21,698	6,229	3,000	9,229	30,927
Communication	60,190	-	7,122	7,122	67,312
Printing and reproduction	20,341	11,621	10,537	22,158	42,499
Corporate functions	33,461	-	-	-	33,461
Travel	32,903	1,053	7,555	8,608	41,511
Miscellaneous	7,568	8,563	8,692	17,255	24,823
Total direct expenses	<u>1,446,090</u>	<u>47,516</u>	<u>44,906</u>	<u>92,422</u>	<u>1,538,512</u>
Contributed services:					
Salaries and benefits	111,092	159,070	104,988	264,058	375,150
Professional fees	64,998	-	-	-	64,998
Rent	4,328	12,983	4,328	17,311	21,639
Miscellaneous	-	15	-	15	15
Total contributed services	<u>180,418</u>	<u>172,068</u>	<u>109,316</u>	<u>281,384</u>	<u>461,802</u>
 Total expenses	 <u>\$ 1,626,508</u>	 <u>\$ 219,584</u>	 <u>\$ 154,222</u>	 <u>\$ 373,806</u>	 <u>\$ 2,000,314</u>