

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

Financial Statements

April 30, 2018 and 2017

(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 statements of financial position as of April 30, 2018 and 2017, and the related statements of activities and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 Alliance for Cancer Gene Therapy, Inc. as of April 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses for the years ended April 30, 2018 and 2017 shown on page 12 are presented for purposes of additional analysis and are 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 financial statements as a whole.

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
September 10, 2018

EISNERAMPER
LLP



Alliance for Cancer Gene Therapy, Inc.
Statements of Financial Position
April 30, 2018 and 2017

	2018	2017
Assets:		
Cash and cash equivalents	\$ 1,134,981	\$ 1,604,418
Investments, at fair value	5,220,018	4,338,812
Contributions receivable	193,791	89,200
Other assets	<u>27,516</u>	<u>14,721</u>
Total assets	<u>\$ 6,576,306</u>	<u>\$ 6,047,151</u>
Liabilities:		
Grants payable	\$ 1,700,446	\$ 1,415,118
Accrued expenses	<u>52,575</u>	<u>64,937</u>
Total liabilities	<u>1,753,021</u>	<u>1,480,055</u>
Net assets:		
Unrestricted	2,011,682	1,420,651
Temporarily restricted	<u>2,811,603</u>	<u>3,146,445</u>
Total net assets	<u>4,823,285</u>	<u>4,567,096</u>
Total liabilities and net assets	<u>\$ 6,576,306</u>	<u>\$ 6,047,151</u>

See notes to financial statements.

Alliance for Cancer Gene Therapy, Inc.
Statements of Activities
Years Ended April 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 257,739	\$ 893,604	\$ 1,151,343	\$ 71,400	\$ 821,725	\$ 893,125
Special events (net of direct benefits to donors of \$18,270 and \$73,461, respectively)	45,000	66,130	111,130	100,000	337,669	437,669
Contributed services	768,597	-	768,597	674,007	-	674,007
Interest and dividend income	104,912	-	104,912	90,116	-	90,116
Net realized and unrealized gains on investments	498,191	-	498,191	494,223	-	494,223
Other income	-	-	-	232,370	-	232,370
Net assets released from restrictions	1,294,576	(1,294,576)	-	510,797	(510,797)	-
Total support and revenue	2,969,015	(334,842)	2,634,173	2,172,913	648,597	2,821,510
Expenses:						
Program services:						
Research grants and awards	1,758,650	-	1,758,650	1,070,485	-	1,070,485
Support services:						
Management and general	386,953	-	386,953	297,493	-	297,493
Fundraising	232,381	-	232,381	208,524	-	208,524
Total expenses	2,377,984	-	2,377,984	1,576,502	-	1,576,502
Increase (decrease) in net assets	591,031	(334,842)	256,189	596,411	648,597	1,245,008
Net assets at beginning of year	1,420,651	3,146,445	4,567,096	824,240	2,497,848	3,322,088
Net assets at end of year	\$ 2,011,682	\$ 2,811,603	\$ 4,823,285	\$ 1,420,651	\$ 3,146,445	\$ 4,567,096

See notes to financial statements.

Alliance for Cancer Gene Therapy, Inc.
Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 256,189	\$ 1,245,008
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(498,191)	(494,223)
Increase in contributions receivable	(104,591)	(89,200)
Increase in other assets	(12,795)	(4,088)
Increase (decrease) in grants payable	285,328	(338,181)
(Decrease) increase in accrued expenses	<u>(12,362)</u>	<u>8,536</u>
Net cash (used in) provided by operating activities	<u>(86,422)</u>	<u>327,852</u>
Cash flows from investing activities:		
Purchase of investments	(400,175)	-
Proceeds from sales of investments	<u>17,160</u>	<u>16,787</u>
Net cash (used in) provided by investing activities	<u>(383,015)</u>	<u>16,787</u>
Net (decrease) increase in cash and cash equivalents	(469,437)	344,639
Cash and cash equivalents at beginning of year	<u>1,604,418</u>	<u>1,259,779</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,134,981</u></u>	<u><u>\$ 1,604,418</u></u>

See notes to financial statements.

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2018 and 2017

(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 were no permanently restricted net assets as of April 30, 2018 or 2017.

ACGT has committed that as of April 30, 2018 and 2017, 100% of restricted contributions will be used to fund research grants and awards 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 \$43,145 and \$43,267 for the years ended April 30, 2018 and 2017, respectively. In addition, fund-raising expenses included in contributed services amounted to \$189,236 and \$165,257 for the years ended April 30, 2018 and 2017, 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, 2018 and 2017

(2) Summary of Significant Accounting Policies (Continued)

(d) *Investments*

The Finance/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 necessary as of April 30, 2018 and 2017. The contributions receivable balance as of April 30, 2018 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 ranging from 2.4% to 2.7% were used for grants issued during the year ended April 30, 2018 and 1.8% was used for grants issued during the year ended April 30, 2017.

(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, professional fees 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, 2018 and 2017

(2) Summary of Significant Accounting Policies (Continued)

(j) *Income Taxes (continued)*

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, 2018 and 2017, 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, 2018 and 2017.

(k) *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.

(l) *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. The adoption of ASU 2016-14 will require reclassification of net asset classes and additional disclosures related to liquidity and availability of resources.

(3) Concentration of Support

For the year ended April 30, 2018, two charitable foundations and one individual accounted for 55% of total contributions. For the year ended April 30, 2017, two charitable foundations accounted for 37% of total contributions.

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements April 30, 2018 and 2017

(4) Investments

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

	<u>2018</u>	<u>2017</u>
Exchange-traded funds:		
Domestic equity	\$3,021,406	\$2,467,709
International equity	1,525,241	1,185,833
Fixed income	553,639	551,666
Commodities	59,429	52,647
U.S. government-sponsored enterprise mortgage-backed securities	<u>60,303</u>	<u>80,957</u>
	<u>\$5,220,018</u>	<u>\$4,338,812</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, 2018 and 2017

(5) Fair Value Measurements (Continued)

Investments in Fixed Maturities and Equity Securities

Investments included in Level 1 are exchange traded funds with quoted market prices, and Level 2 include 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, 2018 and 2017, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2018 Investments:				
Exchange-traded funds:				
Domestic Equity	\$ 3,021,406	\$ -	\$ -	\$ 3,021,406
International Equity	1,525,241	-	-	1,525,241
Fixed Income	553,639	-	-	553,639
Commodities	59,429	-	-	59,429
U.S. government-sponsored enterprise mortgage-backed securities	-	60,303	-	60,303
Total	<u>\$ 5,159,715</u>	<u>\$ 60,303</u>	<u>\$ -</u>	<u>\$ 5,220,018</u>

	<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>

ALLIANCE FOR CANCER GENE THERAPY, INC.

Notes to Financial Statements

April 30, 2018 and 2017

(5) Fair Value Measurements (Continued)

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, 2018 and 2017 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>2018</u>	<u>2017</u>
Gross grants payable	\$ 1,711,939	\$ 1,427,599
Less unamortized discount to present value	(11,493)	(12,481)
	<u>\$ 1,700,446</u>	<u>\$ 1,415,118</u>

Research grants payable are scheduled to be paid as follows:

Less than one year	\$ 1,385,663	\$ 841,800
One to five years	326,276	585,799
	<u>\$ 1,711,939</u>	<u>\$ 1,427,599</u>

(7) Subsequent Events

ACGT has evaluated subsequent events through September 10, 2018, 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, 2018

	Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Direct expenses:					
Research grants	\$ 1,294,576	\$ -	\$ -	\$ -	\$ 1,294,576
Professional fees	8,050	24,686	3,600	28,286	36,336
Legal	43,993	-	-	-	43,993
Website development	54,224	1,200	15,559	16,759	70,983
Communication	71,426	10,500	8,270	18,770	90,196
Printing and reproduction	15,039	520	5,186	5,706	20,745
Corporate functions	3,968	-	2,116	2,116	6,084
Travel	8,550	2,362	2,184	4,546	13,096
Miscellaneous	16,605	10,543	6,230	16,773	33,378
Total direct expenses	<u>1,516,431</u>	<u>49,811</u>	<u>43,145</u>	<u>92,956</u>	<u>1,609,387</u>
Contributed services:					
Salaries and benefits	238,154	207,790	184,251	392,041	630,195
Professional fees	-	117,158	-	117,158	117,158
Rent	4,065	12,194	4,065	16,259	20,324
Corporate functions	-	-	920	920	920
Total contributed services	<u>242,219</u>	<u>337,142</u>	<u>189,236</u>	<u>526,378</u>	<u>768,597</u>
 Total expenses	 <u>1,758,650</u>	 <u>386,953</u>	 <u>232,381</u>	 <u>619,334</u>	 <u>2,377,984</u>
Direct benefits to donors	-	-	18,270	18,270	18,270
Total expenses and direct benefits to donors	<u>\$ 1,758,650</u>	<u>\$ 386,953</u>	<u>\$ 250,651</u>	<u>\$ 637,604</u>	<u>\$ 2,396,254</u>

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

	<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	\$ 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>