

**BEAR NECESSITIES PEDIATRIC  
CANCER FOUNDATION, INC.**

YEARS ENDED JUNE 30, 2014 AND 2013

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

YEARS ENDED JUNE 30, 2014 AND 2013

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## **Independent Auditor's Report**

Board of Directors  
Bear Necessities Pediatric Cancer Foundation, Inc.  
Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bear Necessities Pediatric Cancer Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear Necessities Pediatric Cancer Foundation, Inc. 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 accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information included on page 18 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 audits of the financial statements and certain additional 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.

A handwritten signature in cursive script that reads "Ostrouh Reisin Berk & Abrams, Ltd." The signature is written in black ink and is positioned above the typed name of the firm.

Chicago, Illinois  
September 15, 2014

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

STATEMENT OF FINANCIAL POSITION

June 30,	2014					2013				
	Unrestricted			Temporarily restricted	Total	Unrestricted			Temporarily restricted	Total
	Operating	Board- designated	Total			Operating	Board- designated	Total		
<b>ASSETS</b>										
Cash	\$ 153,133		\$ 153,133	\$ 163,126	\$ 316,259	\$ 311,457		\$ 311,457	\$ 179,198	\$ 490,655
Investments, including cash of \$37,465 in 2013	86,776	\$ 525,000	611,776		611,776		\$ 525,000	525,000		525,000
Contributions receivable	250,933		250,933		250,933	249,283		249,283		249,283
Inventory	27,580		27,580		27,580	28,721		28,721		28,721
Prepaid expenses						3,170		3,170		3,170
Property and equipment, net	1,274,965		1,274,965		1,274,965	1,314,110		1,314,110		1,314,110
Loan fees, net of amortization expense	2,872		2,872		2,872	3,087		3,087		3,087
<b>Total assets</b>	<b>\$ 1,796,259</b>	<b>\$ 525,000</b>	<b>\$ 2,321,259</b>	<b>\$ 163,126</b>	<b>\$ 2,484,385</b>	<b>\$ 1,909,828</b>	<b>\$ 525,000</b>	<b>\$ 2,434,828</b>	<b>\$ 179,198</b>	<b>\$ 2,614,026</b>
<b>LIABILITIES AND NET ASSETS</b>										
<b>Liabilities:</b>										
Accounts payable and accrued expenses	\$ 15,324		\$ 15,324		\$ 15,324	\$ 29,463		\$ 29,463		\$ 29,463
Grants payable	2,573		2,573		2,573	2,573		2,573		2,573
Mortgages payable	882,894		882,894		882,894	911,602		911,602		911,602
<b>Total liabilities</b>	<b>900,791</b>		<b>900,791</b>		<b>900,791</b>	<b>943,638</b>		<b>943,638</b>		<b>943,638</b>
<b>Net assets</b>	<b>895,468</b>	<b>\$ 525,000</b>	<b>1,420,468</b>	<b>\$ 163,126</b>	<b>1,583,594</b>	<b>966,190</b>	<b>\$ 525,000</b>	<b>1,491,190</b>	<b>\$ 179,198</b>	<b>1,670,388</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,796,259</b>	<b>\$ 525,000</b>	<b>\$ 2,321,259</b>	<b>\$ 163,126</b>	<b>\$ 2,484,385</b>	<b>\$ 1,909,828</b>	<b>\$ 525,000</b>	<b>\$ 2,434,828</b>	<b>\$ 179,198</b>	<b>\$ 2,614,026</b>

*See notes to financial statements.*

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,	2014					2013				
	Unrestricted		Total	Temporarily restricted	Total	Unrestricted		Temporarily restricted	Total	
	Operating	Board- designated				Operating	Board- designated			
Revenues and other support:										
Contributions	\$ 649,329		\$ 649,329	\$ 12,636	\$ 661,965	\$ 569,222		\$ 569,222	\$ 26,341	\$ 595,563
In-kind contributions	267,623		267,623		267,623	631,239		631,239		631,239
Special events and other fundraisers:										
Gross revenue, including in-kind contributions of \$66,175 in 2014 and \$100,075 in 2013	994,023		994,023		994,023	1,305,142		1,305,142		1,305,142
Less direct expenditures for events, including in-kind goods of \$61,425 in 2014 and \$74,157 in 2013	(302,419)		(302,419)		(302,419)	(296,481)		(296,481)		(296,481)
Merchandise	2,675		2,675		2,675	3,573		3,573		3,573
Net assets released from restrictions	28,708		28,708	(28,708)		78,909		78,909	(78,909)	
<b>Total revenues</b>	<b>1,639,939</b>		<b>1,639,939</b>	<b>(16,072)</b>	<b>1,623,867</b>	<b>2,291,604</b>		<b>2,291,604</b>	<b>(52,568)</b>	<b>2,239,036</b>
Other revenues:										
Investment income and other interest	20,782		20,782		20,782	11,409		11,409		11,409
Realized and unrealized gain on investments	52,217		52,217		52,217	8,298		8,298		8,298
<b>Total other revenues</b>	<b>72,999</b>		<b>72,999</b>		<b>72,999</b>	<b>19,707</b>		<b>19,707</b>		<b>19,707</b>
<b>Total revenues and other support</b>	<b>1,712,938</b>		<b>1,712,938</b>	<b>(16,072)</b>	<b>1,696,866</b>	<b>2,311,311</b>		<b>2,311,311</b>	<b>(52,568)</b>	<b>2,258,743</b>
Expenses:										
Program services	1,459,560		1,459,560		1,459,560	1,789,946		1,789,946		1,789,946
Supporting services:										
Management and general	89,935		89,935		89,935	92,315		92,315		92,315
Fundraising	234,165		234,165		234,165	242,607		242,607		242,607
<b>Total expenses</b>	<b>1,783,660</b>		<b>1,783,660</b>		<b>1,783,660</b>	<b>2,124,868</b>		<b>2,124,868</b>		<b>2,124,868</b>
<b>Increase (decrease) in net assets</b>	<b>(70,722)</b>		<b>(70,722)</b>	<b>(16,072)</b>	<b>(86,794)</b>	<b>186,443</b>		<b>186,443</b>	<b>(52,568)</b>	<b>133,875</b>

See notes to financial statements.

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Years ended June 30,	2014					2013				
	Unrestricted			Temporarily restricted	Total	Unrestricted			Temporarily restricted	Total
	Operating	Board- designated	Total			Operating	Board- designated	Total		
Net assets:										
Beginning of year	\$ 966,190	\$ 525,000	\$ 1,491,190	\$ 179,198	\$ 1,670,388	\$ 779,747	\$ 525,000	\$ 1,304,747	\$ 231,766	\$ 1,536,513
Increase (decrease) in net assets	(70,722)		(70,722)	(16,072)	(86,794)	186,443		186,443	(52,568)	133,875
Net assets, end of year	\$ 895,468	\$ 525,000	\$ 1,420,468	\$ 163,126	\$ 1,583,594	\$ 966,190	\$ 525,000	\$ 1,491,190	\$ 179,198	\$ 1,670,388

*See notes to financial statements.*

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

Years ended June 30,	2014					2013				
	Program Services	Management and general	Fundraising	Direct benefit to donors	Total	Program Services	Management and general	Fundraising	Direct benefit to donors	Total
Salaries and related expenses	\$ 365,735	\$ 50,498	\$ 57,095		\$ 473,328	\$ 330,820	\$ 52,760	\$ 59,292		\$ 442,872
Research grants	355,000				355,000	290,000				290,000
Support grants	40,000				40,000	158,905				158,905
Advertising and public relations	180,954	101	9,792		190,847	534,553	60	25,552		560,165
Automobile expense	3,745	499	749		4,993	3,892	519	778		5,189
Bank and credit card fees	4,416	610	14,110		19,136	10,649	1,698	21,646		33,993
Bear Hugs	279,125				279,125	220,551				220,551
Donated goods - event expenses				\$ 61,425	61,425				\$ 74,157	74,157
Insurance	12,824	1,771	2,002		16,597	10,374	1,654	1,859		13,887
Interest	25,794	3,561	4,027		33,382	30,663	4,890	5,496		41,049
Licenses and fees			6,161		6,161			3,588		3,588
Meals and entertainment	2,276	314	355	9,687	12,632	2,295	366	411	9,907	12,979
Occupancy expenses	40,745	5,626	6,361		52,732	40,364	6,438	7,234		54,036
Office expense and supplies	13,266	1,832	3,120	3,067	21,285	6,797	1,084	2,567	3,054	13,502
Other event expenses			14,530	109,860	124,390			11,191	80,032	91,223
Outside services	22,928	3,166	3,579		29,673	18,472	2,945	3,310		24,727
Postage and delivery	7,888	1,089	23,092		32,069	6,440	1,025	18,347		25,812
Printing and publications	11,636	1,607	6,607		19,850	7,311	1,166	9,922		18,399
Professional fees	46,254	13,125	75,597		134,976	38,926	10,232	62,797		111,955
Program events	2,527				2,527	32,048				32,048
Telecommunications	8,783	1,212	1,371		11,366	10,081	1,608	1,806		13,495
Training and education	1,557	215	243		2,015	3,295	525	591		4,411
Travel	3,694	510	626		4,830	3,641	581	867		5,089
Venue rentals and fees				118,380	118,380				129,331	129,331
Total expenses before depreciation and amortization	1,429,147	85,736	229,417	302,419	2,046,719	1,760,077	87,551	237,254	296,481	2,381,363
Depreciation and amortization	30,413	4,199	4,748		39,360	29,869	4,764	5,353		39,986
Less expenses included with revenue on the statement of activities and changes in net assets				(302,419)	(302,419)				(296,481)	(296,481)
Total expenses	\$ 1,459,560	\$ 89,935	\$ 234,165	\$ -	\$ 1,783,660	\$ 1,789,946	\$ 92,315	\$ 242,607	\$ -	\$ 2,124,868

See notes to financial statements.



**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS**

Years ended June 30,	2014	2013
Operating activities:		
Increase (decrease) in net assets	\$ (86,794)	\$ 133,875
Adjustments to reconcile above to cash used in operating activities:		
Depreciation and amortization	39,360	39,986
Net realized and unrealized gain on investments	(52,217)	(8,298)
(Increase) decrease in operating assets:		
Contributions receivable	(1,650)	(8,051)
Prepaid expenses	3,170	(2,268)
Inventory	1,141	1,995
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(14,139)	16,728
Grants payable		(422,680)
Deferred revenue		(4,305)
<b>Cash used in operating activities</b>	<b>(111,129)</b>	<b>(253,018)</b>
Investing activities:		
Purchases of investments	(84,236)	(627,349)
Proceeds from sale of investments	12,212	679,925
Increase (decrease) in Board-designated cash	37,465	(37,465)
<b>Cash provided by (used in) investing activities</b>	<b>(34,559)</b>	<b>15,111</b>
Financing activities:		
Payments on mortgage payable	(28,708)	(322,774)
Proceeds from mortgage payable		300,000
Payments on loan issuance costs		(3,231)
<b>Cash used in financing activities</b>	<b>(28,708)</b>	<b>(26,005)</b>
Decrease in cash	(174,396)	(263,912)
Cash, beginning of year	490,655	754,567
<b>Cash, end of year</b>	<b>\$ 316,259</b>	<b>\$ 490,655</b>

*See notes to financial statements.*

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS (CONTINUED)**

Years ended June 30,	2014	2013
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Supplemental disclosure of cash flow information:

Cash paid during the year for interest	\$ 33,382	\$ 41,049
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Supplemental disclosure of non-cash financing activity:

During the year ended June 30, 2013, the Foundation refinanced its mortgage with a new bank in the amount of \$630,000.

*See notes to financial statements.*

# **BEAR NECESSITIES PEDIATRIC CANCER FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Foundation and purpose**

Bear Necessities Pediatric Cancer Foundation, Inc. (the Foundation) is an Illinois nonprofit foundation incorporated in 1992, with the purpose of granting funds to encourage, supplement and initiate research related to pediatric cancer diseases, as well as to supplement patient, parent and hospitals' specific needs.

The Bear Hugs Program supports cancer patients (ages 0-19), as well as their immediate families that face the many challenges that accompany the diagnosis and treatment of pediatric cancer. The Foundation's outreach serves both in state and out of state children that are being treated at one of the nine major Chicago area hospitals with pediatric oncology departments. A Bear Hug Program is a customized experience that brightens the life of a child going through cancer. The Bear Hugs Program also provides immediate family support for financial burden and essential needs.

Bear Discoveries awards medical research grants nationwide each year primarily to junior investigative researchers who make meaningful advancements and discoveries towards finding a cure and therapies for various types of pediatric cancer.

Bear Empowerment awards support service grants across the nation to pediatric oncology facilities and foundations each year for programs or projects that directly impact patients, their families and hospital facilities. The Bear Empowerment program ended during the fiscal year ending June 30, 2013.

Pillars of Hope, the campaign of the Foundation, is a \$2.2 million, four-year major gift campaign to secure the Foundation's office at 55 W. Wacker Drive, Chicago, Illinois, as a permanent home for the Foundation. This will enable the Foundation to direct more dollars to programs and services and touch the lives of countless more children and families battling pediatric cancer.

### **2. Summary of significant accounting policies**

The significant accounting policies of the Foundation are summarized below.

#### **Basis of accounting:**

The Foundation's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**Basis of presentation:**

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Foundations*. Under the Codification, the Foundation is required to report information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

**Unrestricted** - Unrestricted net assets are available to finance the general operations of the Foundation. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the purposes specified in its articles of incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the Foundation's unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption "unrestricted net assets". Board-designated net assets include assets over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Board-designated net assets represent assets in a Board-designated Endowment (Note 7).

**Temporarily restricted** - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Foundation pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

**Permanently restricted** - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the Foundation to utilize or expend part or all of the income or other economic benefits derived from the donated assets. There were no permanently restricted net assets at June 30, 2014 and 2013.

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of significant accounting policies (continued)**

**Basis of presentation: (continued)**

**Unrestricted and restricted revenue and support** - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Foundation reports donor-restricted contributions and donor-restricted investment gains and income for which restrictions are met in the same reporting period as unrestricted support.

**Tax status:**

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service (IRS) has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

The Foundation is generally no longer subject to examination by the IRS for years ended prior to June 30, 2011.

The Foundation has not reported any income subject to unrelated business income tax and thus has not been required to file *Exempt Organization Business Income Tax Return* (Form 990T) with the IRS.

**Investments:**

Investments are stated at fair value. Realized and unrealized investment gains and losses and other investment income are reflected in the statement of activities and changes in net assets as changes in unrestricted net assets. (See Note 4).

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of significant accounting policies (continued)**

**Contributions receivable:**

Contributions receivable included unconditional promises to give at June 30, 2014 and 2013. Contributions receivable due in more than one year were discounted using a risk-adjusted rate of return to reflect the present value of the receivables.

June 30,	2014	2013
Receivable due in less than one year	\$ 206,793	\$ 183,202
Receivable due in one to five years	51,050	75,800
<b>Total contributions receivable</b>	<b>257,843</b>	259,002
<b>Less discount to net present value</b>	<b>(6,910)</b>	(9,719)
<b>Unconditional promises to give</b>	<b>\$ 250,933</b>	\$ 249,283

Contributions receivable due in more than one year were discounted at 5.5% in 2014 and 2013. Amortization of the discount is included in contribution revenue. An allowance for doubtful accounts is considered unnecessary and is not provided.

**Inventory:**

The Foundation maintains an inventory of various clothing, toys and household items which is carried at the lower of cost or market. These inventory items are removed from inventory when sold and expensed accordingly. The corresponding revenue and applicable sales tax are recorded at the time these items are sold. The total cost value of these items held in inventory at June 30, 2014 and 2013 was \$27,580 and \$28,721, respectively.

**Property and equipment and related depreciation:**

Property and equipment are stated at cost or, if donated, at the fair value at the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the assets using a modified cost recovery system generally as follows:

Buildings and building improvements	39 years
Furniture and equipment	5 years

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of significant accounting policies (continued)**

**Grants payable:**

Unconditional grants payable are recorded when approved by the Board of Directors. Grants payable represent amounts due to medical investigative researchers for pre-approved studies in the following year and pediatric oncology facilities and foundations for service grants. Grants are only awarded for one year; there are no multiple-year grants approved.

**Deferred revenue:**

Proceeds related to future special events and other fundraisers received by year-end that will not be earned until after the event occurs are recognized as deferred revenue.

**Donated goods and services:**

Donated goods and services are recognized in accordance with the Codification for *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise be purchased by the Foundation. Donated goods and services of the following are included as in-kind contribution revenue and gross revenue under special events and other fundraisers in the statement of activities and changes in net assets:

Years ended June 30,	2014	2013
Event expenses	\$ 61,425	\$ 74,157
Bear Hugs	60,065	48,754
Public relations/advertising	182,810	559,180
Program events		26,903
Professional fees	29,498	22,284
Other expenses		36
<b>Total donated goods and services</b>	<b>\$ 333,798</b>	<b>\$ 731,314</b>

Many individuals volunteer their time and perform tasks that assist the Foundation. No amounts have been reflected in the financial statements for those donated services because the criteria for recognition under the Codification were not met.

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**2. Summary of significant accounting policies (continued)**

**Public relations and advertising:**

Advertising costs are expensed as incurred and totaled \$190,847 and \$560,165 for the years ended June 30, 2014 and 2013, respectively.

**Functional allocation of expenses:**

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

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**3. Concentration of credit risk**

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2014 and 2013, the Foundation's uninsured cash balances totaled \$462,382 and \$678,717, respectively. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not subject to any significant credit risk on cash.



**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**4. Investments**

The Foundation's investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following:

June 30,	2014		2013	
	Cost	Fair value	Cost	Fair value
Mutual funds:				
Equity funds	\$ 291,141	\$ 317,686	\$ 279,629	\$ 258,896
Fixed income funds	251,333	235,555	243,713	223,568
Other	58,857	58,535	5,965	5,071
Total assets	\$ 601,331	\$ 611,776	\$ 529,307	\$ 487,535

Dividend income of \$20,782 and \$11,409 for the years ended June 30, 2014 and 2013, respectively, is included in investment income and other interest and an unrealized gain of \$52,217 and an unrealized loss of \$43,179 for the years ended June 30, 2014 and 2013, respectively, is included in realized and unrealized gain on investments on the statement of activities and changes in net assets.

**5. Property and equipment**

The following is a summary of property and equipment:

June 30,	2014	2013
Buildings and building improvements	\$ 1,500,220	\$ 1,500,220
Furniture and equipment	18,149	18,149
	1,518,369	1,518,369
Less accumulated depreciation	243,404	204,259
Property and equipment, net	\$ 1,274,965	\$ 1,314,110

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Mortgages payable**

In August 2008, the Foundation entered into a mortgage loan agreement secured by the underlying property in the principal amount of \$1,000,000. Interest was calculated at a fixed interest rate of 6.5% per annum and the loan was to be due in August 2028. The loan was paid in full in October 2012.

In August 2012, the Foundation entered into a \$300,000 zero interest loan agreement with a donor, secured by a second mortgage on the underlying property. The loan is repayable in one lump-sum payment in the year ending June 30, 2016. The proceeds of this loan were used to pay down the principal of the mortgage.

In October 2012, the Foundation entered into a mortgage loan agreement in the principal amount of \$630,000 and paid the previous mortgage loan balance in full. The mortgage balance at June 30, 2014 and 2013 was \$582,894 and \$611,602, respectively. The mortgage is payable in monthly installments of \$5,174 including principal and interest. Interest is calculated at a fixed interest rate of 5.5% per annum and the loan becomes due in October 2027. The mortgage is secured by the underlying property.

Future minimum principal payments are as follows:

Year ending June 30:	Principal
2015	\$ 30,656
2016	332,196
2017	34,012
2018	35,930
2019	37,957
Thereafter (2020 through 2028)	412,143
<b>Total</b>	<b>\$ 882,894</b>

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**7. Designation of unrestricted net assets**

The Board of Directors of the Foundation has designated an endowment fund of \$525,000, known as the Bear Fund, as a general endowment to support the mission of the Foundation. It is the policy of the Board of Directors to use the income and dividends from the designated endowment fund to support the Foundation's general activities.

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The strategy's primary goal is capital appreciation and stability as a secondary goal. Endowment assets are invested in a portfolio which consists of equities, fixed income, alternative investments and cash. The objective of the investment portfolio is to maximize long-term returns consistent with prudent levels of risk. In establishing the investment objectives of the investment portfolio, the Board of Directors has taken into account the time horizon available for investment, the nature of the investment portfolio's cash flows and liabilities and other factors that affect the portfolio's risk tolerance. The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

The Board-designated endowment balance totaled \$525,000 for each of the years ended June 30, 2014 and 2013.

**8. Temporarily restricted net assets**

Temporarily restricted net assets were available for the following purposes:

June 30,	2014	2013
Purpose-restricted funds:		
Pillars of Hope	\$ 163,126	\$ 179,198

**9. Subsequent events**

Management of the Foundation has reviewed and evaluated subsequent events from June 30, 2014, the financial statement date, through September 15, 2014, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

**BEAR NECESSITIES  
PEDIATRIC CANCER FOUNDATION, INC.**

SCHEDULE OF FUNDRAISING EVENTS AND MERCHANDISE SALES

Years ended June 30, Event	2014				2013			
	Revenue	Direct benefit to donors expense	Non-direct benefit to donors expense	Excess revenue over expense	Revenue	Direct benefit to donors expense	Non-direct benefit to donors expense	Excess revenue over expense
Run for the Bear					\$ 61,380	\$ 12,261	\$ 2,285	\$ 46,834
Bear Tie Ball	\$ 667,561	\$ 203,609	\$ 61,224	\$ 402,728	884,616	227,458	81,104	576,054
Golf for the Bear	61,683	29,032	1,812	30,839	86,536	18,382	2,633	65,521
Other fundraising events	264,779	69,778	6,771	188,230	272,610	38,380	9,448	224,782
Total fundraising events	994,023	302,419	69,807	621,797	1,305,142	296,481	95,470	913,191
Merchandise sales	2,675		1,049	1,626	3,573		1,349	2,224
Total fundraising events and merchandise sales	\$ 996,698	\$ 302,419	\$ 70,856	\$ 623,423	\$ 1,308,715	\$ 296,481	\$ 96,819	\$ 915,415