

Colon Cancer Alliance, Inc.

Financial Statements
and Independent Auditors' Report

June 30, 2013 and 2012

Colon Cancer Alliance, Inc.

Financial Statements
June 30, 2013 and 2012

Contents

Independent Auditors' Report.....	1-2
<i>Audited Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities.....	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-14
<i>Supplemental Information</i>	
Schedules of Functional Expenses.....	15-16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Colon Cancer Alliance, Inc.

We have audited the accompanying financial statements of the Colon Cancer Alliance (“the Alliance”), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the Alliance as of June 30, 2013 and 2012, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 15-16 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 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 black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
November 5, 2013

Colon Cancer Alliance, Inc.

Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 887,940	\$ 1,832,696
Contributions receivable	5,000	58,956
Beneficial interest in remainder trust	2,155,883	3,255,159
Other receivables	23,514	-
Prepaid expenses and deposits	125,614	74,261
Investments	3,182,463	1,303,382
Property and equipment, net	<u>29,544</u>	<u>25,981</u>
Total assets	<u>\$ 6,409,958</u>	<u>\$ 6,550,435</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 18,962	\$ 69,352
Accrued expenses	403,164	113,278
Deferred rent	<u>4,855</u>	<u>2,865</u>
Total liabilities	<u>426,981</u>	<u>185,495</u>
Net Assets		
Unrestricted	3,275,758	2,742,640
Temporarily restricted	<u>2,707,219</u>	<u>3,622,300</u>
Total net assets	<u>5,982,977</u>	<u>6,364,940</u>
Total liabilities and net assets	<u>\$ 6,409,958</u>	<u>\$ 6,550,435</u>

See accompanying notes.

Colon Cancer Alliance, Inc.

Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 1,588,034	\$ 2,368,208	\$ 3,956,242
Merchandise income	145,103	-	145,103
Investment income	96,382	-	96,382
Change in value of charitable remainder trust	235,413	-	235,413
Conference registration fees	1,833	-	1,833
Other income	883	-	883
Released from restrictions	3,283,289	(3,283,289)	-
Total revenue and support	5,350,937	(915,081)	4,435,856
Expenses			
Program services:			
Connection Campaign	263,563	-	263,563
Awareness	2,433,205	-	2,433,205
Conferences	385,436	-	385,436
Education	359,661	-	359,661
Chapters	75,911	-	75,911
Community Health Grants	380,012	-	380,012
Global CCA	26,154	-	26,154
Research	12,904	-	12,904
Total program services	3,936,846	-	3,936,846
Supporting services:			
General and administrative	327,725	-	327,725
Fundraising	553,248	-	553,248
Total supporting services	880,973	-	880,973
Total expenses	4,817,819	-	4,817,819
Change in Net Assets	533,118	(915,081)	(381,963)
Net Assets, beginning of year	2,742,640	3,622,300	6,364,940
Net Assets, end of year	\$ 3,275,758	\$ 2,707,219	\$ 5,982,977

See accompanying notes.

Colon Cancer Alliance, Inc.

Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 1,129,625	\$ 1,634,724	\$ 2,764,349
Merchandise income	71,058	-	71,058
Investment income	59,233	-	59,233
Change in value of charitable remainder trust	(340,649)	-	(340,649)
Conference registration fees	3,868	-	3,868
Other income	6,000	-	6,000
Released from restrictions	3,534,918	(3,534,918)	-
Total revenue and support	4,464,053	(1,900,194)	2,563,859
Expenses			
Program services:			
Connection Campaign	240,334	-	240,334
Awareness	1,446,299	-	1,446,299
Conferences	208,251	-	208,251
Education	513,519	-	513,519
Chapters	44,364	-	44,364
Community Health Grants	37,798	-	37,798
Total program services	2,490,565	-	2,490,565
Supporting services:			
General and administrative	59,080	-	59,080
Fundraising	467,165	-	467,165
Total supporting services	526,245	-	526,245
Total expenses	3,016,810	-	3,016,810
Change in Net Assets	1,447,243	(1,900,194)	(452,951)
Net Assets, beginning of year	1,295,397	5,522,494	6,817,891
Net Assets, end of year	\$ 2,742,640	\$ 3,622,300	\$ 6,364,940

See accompanying notes.

Colon Cancer Alliance, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ (381,963)	\$ (452,951)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,556	11,131
Net realized and unrealized loss (gain)	19,880	(19,391)
Change in value of charitable remainder trust	(235,413)	340,649
Change in operating assets and liabilities:		
Decrease in contributions receivable	53,956	1,044
Decrease in beneficial interest in remainder trust	1,334,689	1,575,155
(Increase) decrease in other receivables	(23,514)	72
Increase in prepaid expenses and deposits	(51,353)	(9,505)
(Decrease) increase in accounts payable	(50,390)	58,651
Increase (decrease) in accrued expenses	289,886	(127,300)
Increase (decrease) in deferred rent	1,990	(758)
	<u>972,324</u>	<u>1,376,797</u>
Cash Flows from Investing Activities		
Net purchases of investments	(1,898,961)	(1,283,991)
Purchases of property and equipment	(18,119)	(4,262)
	<u>(1,917,080)</u>	<u>(1,288,253)</u>
Net cash used in investing activities		
Net (Decrease) Increase in Cash	(944,756)	88,544
Cash, beginning of year	<u>1,832,696</u>	<u>1,744,152</u>
Cash, end of year	<u>\$ 887,940</u>	<u>\$ 1,832,696</u>

See accompanying notes.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

1. Nature of Operations

Colon Cancer Alliance, Inc. (“the Alliance”) was incorporated on March 18, 1999 as a 501(c)(3) exempt corporation under the laws of the state of Delaware. The Alliance is a national patient advocacy organization dedicated to increasing rates of screening and survivorship from colorectal cancer through patient support, education, research and advocacy.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Contributions Receivable

Contributions receivable consists of amounts promised from donors. The entire amount of contributions receivable is expected to be collected within one year and is recorded at net realizable value at June 30, 2013 and 2012. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

Beneficial Interest in Remainder Trust

The Alliance has received certain contributions under a split-interest agreement, which is a charitable remainder trust. Irrevocable split-interest agreements are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is based on the fair value of the expected cash flows to be received by the Alliance.

Property and Equipment

Property and equipment acquisitions greater than \$500 and a projected useful life exceeding one year are capitalized and recorded at cost. Property and equipment are stated at cost less accumulated depreciation, which is computed using the straight-line method over the assets’ estimated useful lives, which range from five to seven years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. Expenditures for maintenance and repairs are charged to expenses as incurred.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value, based on quoted market prices. All realized and unrealized gains and losses are included in investment income in the accompanying statements of activities. Investments consist primarily of cash and money market funds held for investment, mutual funds, equities, and fixed income securities at June 30, 2013 and 2012.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Alliance's operations. There was \$3,275,758 and \$2,742,640 in unrestricted net assets at June 30, 2013 and 2012, respectively.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Alliance or the passage of time. There was \$2,707,219 and \$3,622,300 in temporarily restricted net assets at June 30, 2013 and 2012, respectively.

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of donated assets. When a donor 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 statements of activities as net assets released from restrictions.

Revenue from all other sources is recognized when earned.

Advertising Expenses

The Alliance expenses advertising costs as incurred. The Alliance spent \$86,206 and \$63,688 on advertising during the years ended June 30, 2013 and 2012, respectively, and received \$653,647 and \$253,194 in donated media and outreach services, which has been included in advertising expenses for the years ended June 30, 2013 and 2012, respectively.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Financial Instruments

The Alliance follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs. For financial assets and liabilities not required to be carried at fair value, the Alliance follows ASC 825-10, *Financial Instruments*, which allows entities the irrevocable option to carry most financial assets and liabilities at fair value. The Alliance has not elected to measure any additional eligible financial assets or liabilities at fair value under ASC 825-10.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Alliance to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Alliance maintains cash deposits and investments with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Alliance has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

4. Investments

Investments and investment income consist of the following as of and for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Money market funds, held for investment	\$ 283,707	\$ 157,820
Equities	1,364,539	453,530
Mutual funds	825,428	340,827
Fixed income securities	<u>708,789</u>	<u>351,205</u>
Total investments	<u>\$ 3,182,463</u>	<u>\$ 1,303,382</u>
Interest and dividends	\$ 116,262	\$ 39,842
Net realized and unrealized (loss) gains	<u>(19,880)</u>	<u>19,391</u>
Total investment income	<u>\$ 96,382</u>	<u>\$ 59,233</u>

5. Charitable Remainder Trust

During fiscal year 2011, the Alliance was named as a beneficiary in a charitable remainder trust. After distribution of funds to primary beneficiaries and sales of certain properties, fifty percent of the remaining funds are to be distributed to the Alliance. During the years ended June 30, 2013 and 2012, \$1,335,000 and \$1,575,155, respectively, were received under the trust. An asset for the Alliance's remaining beneficial interest has been recognized at fair value in the accompanying statements of financial position in the amounts of \$2,155,883 and \$3,255,159, for the years ended June 30, 2013 and 2012, respectively, as determined based on estimates provided by the trustee.

As a condition of the trust, twenty percent of the proceeds from the sale of one of the trust properties sold in June of 2012 must be held in an escrow account for 4 years. Aside from the \$179,789 held in escrow related to this sale, the remainder is expected to be received within a year. A discount on the long term portion of the receivable has not been recorded due to immateriality. All amounts are available for unrestricted purposes upon receipt.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

6. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows at June 30:

	Total fair value	Level 1	Level 2	Level 3
2013:				
Assets				
Money market funds	\$ 283,707	\$ 283,707	\$ -	\$ -
Equities	1,364,539	1,364,539	-	-
Mutual funds	825,428	825,428	-	-
Fixed income securities	708,789	708,789	-	-
Beneficial interest in remainder trust	2,155,883	-	-	2,155,883
Total Assets	\$ 5,338,346	\$ 3,182,463	\$ -	\$ 2,155,883
2012:				
Assets				
Money market funds	\$ 157,820	\$ 157,820	\$ -	\$ -
Equities	453,530	453,530	-	-
Mutual funds	340,827	340,827	-	-
Fixed income securities	351,205	351,205	-	-
Beneficial interest in remainder trust	3,255,159	-	-	3,255,159
Total Assets	\$ 4,558,541	\$ 1,303,382	\$ -	\$ 3,255,159

The fair value of level 1 assets has been measured using a market approach. The fair value of the beneficial interest in remainder trust is based on the Alliance's interest in funds being held by a third party trustee. The fair value is measured upon the estimated net present value of amounts to be received. The expected future cash inflows from the trusts are based on the fair value of the investments, future expected investment returns, and proceeds from future sales of properties. The value of this asset is based on unobservable inputs and the Alliance's own assumptions and therefore classified as Level 3. There were no level 2 assets at June 30, 2013 and 2012.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

6. Fair Value Measurements (continued)

A summary of changes in the Alliance's level 3 assets for the year ended June 30, 2013 is as follows:

Balance, beginning of year	\$	3,255,159
Cash distribution		(375,000)
Distribution from sale of properties		(960,000)
Net gain on sale of trust properties		<u>235,413</u>
Balance, end of year	\$	<u><u>2,155,883</u></u>

7. Property and Equipment

The Alliance held the following property and equipment at June 30:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 84,322	\$ 66,937
Less: accumulated depreciation	<u>(54,778)</u>	<u>(40,956)</u>
Property and equipment, net	<u>\$ 29,544</u>	<u>\$ 25,981</u>

8. Lease

Upon expiration of its former office space lease, the Alliance relocated its headquarters under a new lease commencing in December 2010 and extending through November 2013. During the year, the Alliance signed amendments to this lease, which included acquiring additional office space and extending the terms through 2016. The new lease calls for fixed annual rental increases. Under accounting principles generally accepted in the United States of America, all fixed rental increases and lease incentives are recognized on a straight-line basis ratably over the term of the lease. The difference between this expense and the required lease payments are reflected as deferred rent in the accompany statements of financial position.

Additionally, the Alliance operates under various storage, small equipment, and similar leases, all of which are on a month to month basis. Rent expense for the years ended June 30, 2013 and 2012 was \$132,490 and \$54,379, respectively, under all leases.

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

8. Lease (continued)

Future minimum lease payments are as follows for the years ending June 30:

2013	\$	160,255
2014		164,254
2015		168,368
2016		<u>29,324</u>
Total future minimum payments	\$	<u><u>522,201</u></u>

9. Temporarily Restricted Net Assets

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Alliance. These net assets are then released and reclassified to unrestricted support where they are expended. Temporarily restricted net assets consist of the following at June 30:

	2013	2012
Helpline	\$ 140,155	\$ 74,567
Website & Technology Initiative	114,937	98,613
Stars Go Blue	89,032	1,751
Buddy Program	58,984	-
Undy 5000	36,778	50,400
My CRC Connections	32,759	25,214
Dress in Blue Day	23,668	22,129
Chat Program	5,868	-
Fiesta Azul/Hispanic Outreach	590	1,640
Voices	350	4,270
Connections Campaign	-	19,822
Telechat	-	10,280
Blue Ribbon Snow Tour	-	10,024
HC Outreach	-	19,475
Time restricted	<u>2,204,098</u>	<u>3,284,115</u>
Total temporarily restricted net assets	<u><u>\$ 2,707,219</u></u>	<u><u>\$ 3,622,300</u></u>

Colon Cancer Alliance, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

10. Contributed Services

From time to time, the Alliance receives donated services. These services, when material, are recognized at fair value at the time of receipt when they meet criteria for recognition under generally accepted accounting principles. During the years ended June 30, 2013 and 2012, the Alliance received donated services, which include accounting services and promotional services, valued at \$668,347 and \$267,677, respectively. The donated services are included in grants and contributions on the statements of activities.

11. Pension Plan

During the year ended June 30, 2012, the Alliance established a new 401(k) plan. This plan covers all employees who may contribute any amount to the plan up to the legal annual limit. The Alliance may make matching contributions for all persons who have completed at least 1,000 hours of service during the plan year and who are employed by the Alliance on the last day for the plan year. Employer matching contributions totaled \$27,509 for the year ended June 30, 2013. Employee and employer matching contributions are immediately vested.

12. Income Taxes

The Alliance is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended June 30, 2013 and 2012, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. In addition, the Alliance qualifies as a public charity within the meaning of IRC Section 509(a)(1). Contributions to the Alliance are deductible as provided in IRC Section 170(b)(1)(A)(vi). The Alliance had no significant uncertain tax positions for the years ended June 30, 2013 and 2012.

13. Subsequent Events

The Alliance follows the guidance of FASB ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the statements of financial position date but before the financial statements are issued. FASB ASC 855 also requires disclosure of the date through which an entity has evaluated subsequent events. In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through November 5, 2013, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

Colon Cancer Alliance, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2013

	Program Services							Supporting Services			Total
	Connection Campaign	Awareness	Conferences	Education	Chapters	Community Health Grants	Global CCA	Research	General and Administrative	Fundraising	
Personnel	\$ 144,989	\$ 547,803	\$ 86,000	\$ 57,345	\$ 33,787	\$ 36,410	\$ 15,117	\$ 3,416	\$ 530,866	\$ 286,409	\$ 1,742,142
Professional fees	6,098	215,111	52,977	16,269	-	350	4,500	1,200	201,313	27,857	525,675
Travel & entertainment	3,622	116,198	66,634	1,648	297	655	58	4,036	50,906	6,991	251,045
Operations	830	75,011	6,814	109	627	91	1,782	-	145,753	1,552	232,569
Facilities	11,582	28,710	1,201	837	-	30	-	-	235,104	11,648	289,112
Projects	300	1,060,075	107,135	242,076	15,760	320,360	-	301	6,256	25,013	1,777,276
G&A allocation	96,142	390,297	64,675	41,377	25,440	22,116	4,697	3,951	(842,473)	193,778	-
Total Expenses	\$ 263,563	\$ 2,433,205	\$ 385,436	\$ 359,661	\$ 75,911	\$ 380,012	\$ 26,154	\$ 12,904	\$ 327,725	\$ 553,248	\$ 4,817,819

Colon Cancer Alliance, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2012

	Program Services					Supporting Services			Total
	Connection Campaign	Awareness	Conferences	Education	Chapters	Community Health Grants	General and Administrative	Fundraising	
Personnel	\$ 144,409	\$ 395,580	\$ 72,138	\$ 154,083	\$ 23,489	\$ -	\$ 197,600	\$ 243,097	\$ 1,230,396
Professional fees	4,881	123,269	44,143	14,959	3,285	150	130,801	27,645	349,133
Travel & entertainment	466	80,155	14,439	311	465	-	24,689	15,387	135,912
Operations	881	64,728	4,442	2,223	1,271	-	85,885	1,516	160,946
Facilities	13,688	27,768	8,369	7,326	40	19	109,036	17,010	183,256
Projects	151	546,861	26,501	253,243	3,411	37,629	43,896	45,475	957,167
G&A allocation	75,858	207,938	38,219	81,374	12,403	-	(532,827)	117,035	-
Total Expenses	\$ 240,334	\$ 1,446,299	\$ 208,251	\$ 513,519	\$ 44,364	\$ 37,798	\$ 59,080	\$ 467,165	\$ 3,016,810