



The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2018 and 2017



Independent Auditors' Report

The Board of Directors The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of The Multiple Myeloma Research Foundation, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Multiple Myeloma Research Foundation, Inc. and Subsidiaries as of December 31, 2018 and 2017 and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**The Board of Directors
The Multiple Myeloma Research Foundation, Inc.**

Page 2

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, during the year ended December 31, 2018, The Multiple Myeloma Research Foundation, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its consolidated financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

Stamford, Connecticut
May 6, 2019

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 6,982,611	\$ 27,283,234
Investments	39,118,575	18,684,405
Contributions receivable, net	18,032,623	6,348,349
Fees for service receivable	2,635,033	2,341,764
Other receivables	132,000	-
Prepaid expenses	882,583	720,523
Other assets	91,977	91,977
Investments - other	550,000	550,000
Property and equipment, net	1,286,498	467,655
	\$ 69,711,900	\$ 56,487,907
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 10,995,491	\$ 6,366,096
Research awards payable	7,527,761	6,067,928
Research grants payable	1,041,500	1,249,000
Deferred revenue	1,596,426	1,923,018
Deferred rent expense payable	733,383	-
Total Liabilities	21,894,561	15,606,042
 Net Assets		
Without donor restrictions	30,050,411	34,872,587
With donor restrictions	17,766,928	6,009,278
Total Net Assets	47,817,339	40,881,865
	\$ 69,711,900	\$ 56,487,907

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Activities

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 17,524,115	\$ 14,649,308	\$ 32,173,423	\$ 27,812,852	\$ 6,462,104	\$ 34,274,956
Fee for service	3,610,454	-	3,610,454	3,005,435	-	3,005,435
In-kind contributions	495,445	-	495,445	294,932	-	294,932
Royalties	277,528	-	277,528	1,997,388	-	1,997,388
Allowance for doubtful contributions receivable	-	(375,000)	(375,000)	-	-	-
Net assets released from restriction	<u>2,696,658</u>	<u>(2,696,658)</u>	<u>-</u>	<u>5,710,249</u>	<u>(5,710,249)</u>	<u>-</u>
	<u>24,604,200</u>	<u>11,577,650</u>	<u>36,181,850</u>	<u>38,820,856</u>	<u>751,855</u>	<u>39,572,711</u>
Special Events						
Special event support	9,167,659	180,000	9,347,659	10,526,860	-	10,526,860
Net of direct donor benefit expenses	<u>(2,340,496)</u>	<u>-</u>	<u>(2,340,496)</u>	<u>(3,133,891)</u>	<u>-</u>	<u>(3,133,891)</u>
	<u>6,827,163</u>	<u>180,000</u>	<u>7,007,163</u>	<u>7,392,969</u>	<u>-</u>	<u>7,392,969</u>
Investment return	<u>505,962</u>	<u>-</u>	<u>505,962</u>	<u>426,247</u>	<u>-</u>	<u>426,247</u>
Total Public Support and Revenue	<u>31,937,325</u>	<u>11,757,650</u>	<u>43,694,975</u>	<u>46,640,072</u>	<u>751,855</u>	<u>47,391,927</u>
EXPENSES						
Program Services						
Research	24,957,052	-	24,957,052	20,316,447	-	20,316,447
Myeloma Investment Fund	185,741	-	185,741	-	-	-
Education	3,890,523	-	3,890,523	4,618,557	-	4,618,557
Awareness	3,285,008	-	3,285,008	2,871,963	-	2,871,963
Total Program Services	<u>32,318,324</u>	<u>-</u>	<u>32,318,324</u>	<u>27,806,967</u>	<u>-</u>	<u>27,806,967</u>
Supporting Services						
Management and general	698,648	-	698,648	481,104	-	481,104
Fundraising	3,742,529	-	3,742,529	3,969,016	-	3,969,016
Total Supporting Services	<u>4,441,177</u>	<u>-</u>	<u>4,441,177</u>	<u>4,450,120</u>	<u>-</u>	<u>4,450,120</u>
Total Expenses	<u>36,759,501</u>	<u>-</u>	<u>36,759,501</u>	<u>32,257,087</u>	<u>-</u>	<u>32,257,087</u>
Change in Net Assets	(4,822,176)	11,757,650	6,935,474	14,382,985	751,855	15,134,840
NET ASSETS						
Beginning of year	<u>34,872,587</u>	<u>6,009,278</u>	<u>40,881,865</u>	<u>20,489,602</u>	<u>5,257,423</u>	<u>25,747,025</u>
End of year	<u>\$ 30,050,411</u>	<u>\$ 17,766,928</u>	<u>\$ 47,817,339</u>	<u>\$ 34,872,587</u>	<u>\$ 6,009,278</u>	<u>\$ 40,881,865</u>

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				Total Program Services	Management and General	Fundraising	Direct Donor Benefits	Total
	Research	Myeloma Investment Fund	Education	Awareness					
EXPENSES									
Clinical trial management	\$ 8,181,441	\$ -	\$ -	\$ -	\$ 8,181,441	\$ -	\$ -	\$ -	\$ 8,181,441
Direct research expenses	7,236,821	-	-	-	7,236,821	-	-	-	7,236,821
Salaries and related expenses	1,953,225	137,163	1,027,207	1,373,803	4,491,398	515,975	1,375,373	-	6,382,746
Research grants	4,403,988	-	-	-	4,403,988	-	-	-	4,403,988
Fees for services	238,183	16,726	136,211	217,471	608,591	62,920	786,687	354,975	1,813,173
Patient and clinician outreach	-	-	1,605,638	-	1,605,638	-	-	-	1,605,638
Event production	-	-	-	92,620	92,620	-	92,620	1,144,503	1,329,743
Advertising and marketing	-	-	-	835,509	835,509	-	233,955	-	1,069,464
Site investment grants	1,054,000	-	-	-	1,054,000	-	-	-	1,054,000
Contract research organization costs	948,039	-	-	-	948,039	-	-	-	948,039
Summits	-	-	824,378	-	824,378	-	-	-	824,378
Registration fees	-	-	-	-	-	-	179,552	534,741	714,293
Occupancy	95,885	6,733	50,426	67,441	220,485	25,329	67,518	274,540	587,872
Office expenses	33,914	2,382	19,835	28,416	84,547	8,959	396,384	-	489,890
Tissue banking	487,780	-	-	-	487,780	-	-	-	487,780
Information technology	113,107	7,943	62,280	79,871	263,201	29,879	95,707	-	388,787
Public relations	-	-	-	350,658	350,658	-	403	14,427	365,488
Travel	4,132	290	2,173	50,377	56,972	1,092	281,603	-	339,667
Depreciation and amortization	62,499	4,389	32,868	43,959	143,715	16,510	44,009	-	204,234
Newsletter	39,973	2,807	21,022	28,115	91,917	10,560	28,147	-	130,624
Miscellaneous	36,272	2,547	19,075	28,627	86,521	9,515	32,374	-	128,410
Insurance	35,466	2,491	18,652	24,945	81,554	9,369	37,185	-	128,108
Brochures, printing, design and mailing	-	-	-	39,845	39,845	-	63,268	-	103,113
Temporary help	18,628	1,308	10,982	13,102	44,020	4,921	16,676	17,310	82,927
Education expenses	-	-	52,572	-	52,572	-	-	-	52,572
Telephone	13,699	962	7,204	10,249	32,114	3,619	11,068	-	46,801
	<u>24,957,052</u>	<u>185,741</u>	<u>3,890,523</u>	<u>3,285,008</u>	<u>32,318,324</u>	<u>698,648</u>	<u>3,742,529</u>	<u>2,340,496</u>	<u>39,099,997</u>
Direct donor benefits	-	-	-	-	-	-	-	(2,340,496)	(2,340,496)
Total Expenses	\$ 24,957,052	\$ 185,741	\$ 3,890,523	\$ 3,285,008	\$ 32,318,324	\$ 698,648	\$ 3,742,529	\$ -	\$ 36,759,501

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services						Direct Donor Benefit	Total
	Research	Education	Awareness	Total Program Services	Management and General	Fundraising		
EXPENSES								
Clinical trial management	\$ 6,428,482	\$ -	\$ -	\$ 6,428,482	\$ -	\$ -	\$ -	\$ 6,428,482
Direct research expenses	2,207,560	-	-	2,207,560	-	-	-	2,207,560
Salaries and related expenses	1,451,758	1,157,598	1,576,569	4,185,925	382,579	1,589,909	-	6,158,413
Research grants	6,982,761	-	-	6,982,761	-	-	-	6,982,761
Fees for services	102,638	90,956	115,011	308,605	27,048	459,107	320,144	1,114,904
Patient and clinician outreach	-	1,769,489	-	1,769,489	-	-	-	1,769,489
Event production	-	-	12,758	12,758	-	12,758	1,702,875	1,728,391
Advertising and marketing	-	-	745,917	745,917	-	353,020	-	1,098,937
Site investment grants	1,124,000	-	-	1,124,000	-	-	-	1,124,000
Contract research organization costs	1,276,581	-	-	1,276,581	-	-	-	1,276,581
Summits	-	995,159	-	995,159	-	-	-	995,159
Registration fees	297	237	1,573	2,107	78	249,551	580,076	831,812
Occupancy	79,350	63,271	86,171	228,792	20,911	86,900	442,314	778,917
Office expenses	17,869	16,124	27,655	61,648	4,709	348,907	-	415,264
Tissue banking	421,719	-	-	421,719	-	-	-	421,719
Information technology	56,994	68,790	84,007	209,791	15,019	211,104	-	435,914
Public relations	-	-	-	-	-	-	59,120	59,120
Travel	4,556	3,679	54,671	62,906	1,201	313,377	-	377,484
Depreciation and amortization	53,936	43,007	58,573	155,516	14,901	100,433	-	270,850
Newsletter	1,572	1,253	1,707	4,532	414	1,721	-	6,667
Miscellaneous	75,600	20,636	33,602	129,838	6,135	112,021	-	247,994
Insurance	23,479	18,722	25,498	67,699	6,187	33,845	-	107,731
Brochures, printing, design and mailing	-	-	39,419	39,419	-	78,513	-	117,932
Temporary help	-	2,783	-	2,783	-	8,348	29,362	40,493
Education expenses	-	361,036	-	361,036	-	-	-	361,036
Telephone	7,295	5,817	8,832	21,944	1,922	9,502	-	33,368
	<u>20,316,447</u>	<u>4,618,557</u>	<u>2,871,963</u>	<u>27,806,967</u>	<u>481,104</u>	<u>3,969,016</u>	<u>3,133,891</u>	<u>35,390,978</u>
Direct donor benefits	-	-	-	-	-	-	(3,133,891)	(3,133,891)
Total Expenses	<u>\$ 20,316,447</u>	<u>\$ 4,618,557</u>	<u>\$ 2,871,963</u>	<u>\$ 27,806,967</u>	<u>\$ 481,104</u>	<u>\$ 3,969,016</u>	<u>\$ -</u>	<u>\$ 32,257,087</u>

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,935,474	\$ 15,134,840
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposals of assets	930	-
(Gain) loss on investments	573,210	(52,795)
Depreciation	204,234	270,850
Allowance for doubtful contributions receivable	375,000	-
Changes in operating assets and liabilities		
Contributions receivable, net	(12,059,274)	(1,693,888)
Fees for service receivable	(293,269)	(1,185,994)
Prepaid expenses	(162,060)	(39,677)
Other receivables	(132,000)	-
Other assets	-	9,943
Accounts payable and accrued expenses	4,629,395	516,610
Research awards payable, net	1,459,833	3,397,820
Research grants payable	(207,500)	(71,000)
Deferred revenue	(326,592)	(53,329)
Deferred rent expense payable	733,383	-
Net Cash from Operating Activities	1,730,764	16,233,380
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,024,007)	(189,664)
Proceeds from sale of investments	46,217	7,748,635
Purchase of investments	(21,053,597)	(14,399,758)
Net Cash from Investing Activities	(22,031,387)	(6,840,787)
Net Change in Cash and Cash Equivalents	(20,300,623)	9,392,593
CASH AND CASH EQUIVALENTS		
Beginning of year	27,283,234	17,890,641
End of year	\$ 6,982,611	\$ 27,283,234

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

1. Organization

The Multiple Myeloma Research Foundation, Inc. and its wholly owned subsidiaries, The Multiple Myeloma Research Consortium, LLC (“MMRC”) and Myeloma Investment Fund, LLC (“MIF”), formerly known as the MMRF, LLC, collectively referred to as “the MMRF,” advances research to accelerate a cure for multiple myeloma – the second most common blood cancer. The MMRF, with its end-to-end precision medicine model, collaborates with its partners to accelerate basic and translational research, and move the best ideas rapidly into clinical trials. The MMRF also engages with patients and their friends and families to educate and empower them to optimize their outcomes. The MMRF was incorporated on January 13, 1998.

As a patient-founded organization, the MMRF stands together with those who are battling multiple myeloma - patients, families, physicians, researchers, and investors. At the same time, the MMRF stands apart with its innovative approach. The MMRF generates, interprets, and activates the largest collection of high quality data and places it in the public domain. The MMRF orchestrates the people, programs, and technologies necessary to speed the discovery of a cure.

The proven network of the MMRF engages the best new science and technology to accelerate development of treatments for patients as quickly as possible. The unique model removes barriers for cancer breakthroughs with its end-to-end solution in cancer research. It is based on three interrelated pillars: The Patient Data Bank, The Learning Network, and The Clinic. Applying the MMRF innovative model to precision medicine, which means getting the right patient the right treatment at the right time, puts the promise of a cure within reach.

In 2018, the MMRF through the MMRC opened four clinical trials and enrolled over 200 patients across 25 trials. From its inception, the MMRC has enrolled over 2,000 patients across more than 80 clinical trials (unaudited).

The MMRF anticipates making significant future investment to continue building the end-to-end precision model and immuno-oncology as the precision patient care model, sustain research through venture philanthropy and harness data to identify new targets and care pathways.

MIF, a wholly-owned single member limited liability company, is the first and only mission-driven, self-sustaining, scalable venture philanthropy fund focused solely on multiple myeloma. The aim is to create major scientific breakthroughs by directing capital where financial support could have an immediate and meaningful impact on patients’ lives. Of particular interest are companies, clinical assets, and technologies that have profound potential to bring life extending treatments and cures to more patients more rapidly. In 2018, the MIF raised \$10,250,000. As a venture philanthropy fund, neither management nor donors to the MIF receive distributions. All profits are reinvested into the MIF, allowing for continual investment in emerging science. The MIF had no investments as of December 31, 2018 and 2017.

The MMRF and its subsidiaries are exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code. MMRC and MIF are disregarded entities for tax purposes.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the MMRF. All material inter-organizational balances and transactions have been eliminated in consolidation.

Change in Accounting Principle

In 2018, the MMRF adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The MMRF has adjusted the presentation of its consolidated financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the MMRF’s consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The consolidated financial statements include a new disclosure about liquidity and availability of resources (Note 3).

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Net Asset Class		
Unrestricted net assets	\$ 34,872,587	\$ -
Temporarily restricted net assets	6,009,278	-
Net assets without donor restrictions	-	34,872,587
Net assets with donor restrictions	-	6,009,278
Total Net Assets	<u>\$ 40,881,865</u>	<u>\$ 40,881,865</u>

In addition, certain amounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly, actual results could differ from those estimates.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

The MMRF considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2018 and 2017, the allowance was \$375,000 and \$0.

Fees for Services Receivable

Fees for Services receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in Fees for Services receivable. As of December 31, 2018 and 2017, no allowance for doubtful accounts has been deemed necessary.

Fair Value of Measurements

The MMRF follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments

Investments are reported at their fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

The MMRF invests in a diversified, no load, short term, investment grade corporate bond fund in an effort to generate a higher yield on its short-term liquid assets than its holdings in overnight and money market funds.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if received by donation, at estimated fair value at the time such items are received. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 7 years. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease inclusive of expected renewals.

Investments – Other

The MMRF has an investment in common stock of a certain privately-held company in the medical industry that is accounted for using the cost method. The total MMRF cost of investment in this company is \$550,000 as of December 31, 2018 and 2017.

This investment has not been evaluated for impairment. The MMRF management did not identify any events or changes in circumstances that might have an adverse effect on the value of this investment. The donor who gifted the stock to the MMRF has promised to fund the difference between proceeds from the privately-held company's initial public offering and the carrying value of \$550,000 (see Note 4).

Deferred Revenue

Deferred revenue consists of fee for service revenue and special event revenue received but not earned.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions restricted by donors are reported as an increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Services

For the years ended December 31, 2018 and 2017, donated services totaled approximately \$495,000 and \$295,000, respectively. Such services are included in the consolidated financial statements as in-kind donations along with the corresponding expenses. Donated services consisted of legal, consulting, printing and promotional services. In addition, a number of volunteers have contributed their time to the MMRF, none of which meet the requirements for financial statement recognition.

Royalties

In exchange for a grant research award the MMRF awarded, an unaffiliated company gave MMRF a royalty interest in any future sales or licensing of a product or patents developed from the related research. The royalty is capped at \$6,000,000. The royalty income is recognized as the payments are determined and they are received or receivable. Cumulative payments under the royalty agreement received by the MMRF as of December 31, 2018 and 2017 are approximately \$2,250,000 and \$1,975,000.

Deferred Rent and Rent Expense

Lease agreements require increases in the minimum base rent over time and also contain free rent periods and lease incentive payments. Rent expense under these lease agreements is recognized on the straight-line basis over the term of these related leases. The difference between rent expense recognized on the straight-line basis and cash paid is accounted for as deferred rent and included in accrued expenses on the accompanying balance sheets.

Advertising

The MMRF uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Joint Costs

During 2018 and 2017, the MMRF incurred joint costs of \$545,538 and \$435,930, for joint costs activities that included fundraising appeals, including various contacts and communications with Multiple Myeloma patients, doctors and caregivers in the form of meetings, informational emails, website, and mailing educational materials. For 2018 and 2017, the MMRF allocated \$289,702 and \$255,129 to fundraising expense and \$255,837 and \$180,801 to program expense.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, professional fees, occupancy, information technology, travel, office expenses, depreciation and amortization, newsletter, insurance, temporary help, telephone, and miscellaneous which are allocated on the basis of estimated employee time spent on each functional area.

Accounting for Uncertainty in Income Taxes

The MMRF recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the MMRF had no uncertain tax positions that would require financial statement recognition or disclosure.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 6, 2019.

3. Liquidity and Availability

The following reflects MMRF's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years. Total financial assets available to meet cash needs for general expenditure within one year at December 31, 2018, are as follows:

Cash and cash equivalents	\$ 6,982,611
Investments	39,118,575
Contributions receivable within one year	16,035,370
Fees for service receivable	2,635,033
Other receivables	<u>132,000</u>
Total Financial assets available within one year	64,903,589
Less amounts unavailable for general expenditures within in one year due to:	
Restricted by donors with purpose restrictions	<u>14,324,050</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 50,579,539</u>

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

3. Liquidity and Availability *(continued)*

The principal source of liquidity is cash flow generated from contributions and grants from donors through fundraising efforts. As part of the MMRF's liquidity strategy, management structures its financial assets, consisting of cash, investments, and receivables to be available as its general expenditures, liabilities and obligations come due within one year. Excess cash is invested in highly liquid fixed income securities, which could be drawn upon readily in the event of an unanticipated liquidity need. In addition, the MMRF receives cash flows from providing services related to clinical trials of drugs and royalties. Much of these amounts are expected to be collected within one year.

4. Concentrations

The MMRF maintains cash and investment balances at multiple financial institutions. Accounts at each banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC insured") up to \$250,000. As of December 31, 2018, cash held in banks in excess of the federally insured limits was approximately \$4,543,000. As of December 31, 2018, approximately \$40,254,000 of investments and cash equivalents are held at one financial institution. The Organization believes it is not exposed to any significant credit risk on its cash and investment balances.

At December 31, 2018, approximately \$10,000,000 or 55% of contributions receivable was receivable from two donors and at December 31, 2017 \$3,350,000 or 53% of contributions receivable was receivable from four donors.

For 2018, two donors, one who is a board member, each contributed \$5,000,000 for a total of \$10,000,000 or 31% of contributions. For 2017, one donor, who is a board member contributed, \$10,000,000 or 30% of contributions.

The MMRF received approximately 16% in 2018 and 2017 of its total public support and revenue from its special events.

5. Investments

Investments consist of the following at December 31 and were valued using Level 1 inputs.

	2018		
	Cost	Fair Value	Unrealized Loss
Level 1 Inputs			
Short term corporate bond fund	<u>\$ 39,829,896</u>	<u>\$ 39,118,575</u>	<u>\$ (711,321)</u>
	2017		
	Cost	Fair Value	Unrealized Loss
Level 1 Inputs			
Short term corporate bond fund	<u>\$ 18,776,297</u>	<u>\$ 18,684,405</u>	<u>\$ (91,892)</u>

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

5. Investments (continued)

Investments carried at cost consist of stock in a privately-held company (the "Company") donated to the MMRF in 2015. The initial cost of the shares was established at fair value using Level 3 inputs based on the price other stockholders in the company paid for shares in the Company. The donor has pledged that the MMRF will receive at least \$550,000 if the Company has its initial public offering ("IPO"). If the proceeds to the MMRF from the IPO are less than \$550,000, the donor has agreed to fund the difference between the \$550,000 and the proceeds from the IPO. If the proceeds from the IPO are greater than \$550,000, the MMRF can keep the excess proceeds. The MMRF bears the risk if the Company does not have an IPO.

Money market funds valued using Level 1 inputs included within cash and cash equivalents was as follows as of December 31:

	2018	2017
Money market funds	\$ 1,135,038	\$ 11,859,168

At December 31, 2018 and 2017, the short-term corporate bond fund investments had an average credit rating of A, according to Moody's Investor Services and Standard and Poor's, an average maturity of 2.8 years and 3.0 years, respectively; an average duration of approximately 2.40 and 2.68 years, with an average yield of 3.2% and 2.17%, respectively.

6. Contributions Receivable

Contributions receivable at December 31 are due as follows:

	2018	2017
Receivables currently due	\$ 1,717,745	\$ 1,909,742
Receivable in less than one year	14,317,625	2,375,987
Receivable in one to five years	2,691,250	2,191,875
Total contributions receivable	18,726,620	6,477,604
Discount to net present value	(318,997)	(129,255)
Allowance for doubtful accounts	(375,000)	-
	\$ 18,032,623	\$ 6,348,349

Pledges receivable with due dates extending beyond one year have discounted rates at December 31, 2018 and 2017 between 2% and 4%.

The aforementioned pledges have been included in the following net asset categories at December 31:

	2018	2017
Without donor restrictions	\$ 1,800,795	\$ 1,909,742
With donor restrictions	16,231,828	4,438,607
	\$ 18,032,623	\$ 6,348,349

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

6. Contributions Receivable *(continued)*

The MMRF has a contingent pledge outstanding of \$1,350,000 as of December 31, 2018 that has not been recorded as revenue as the MMRF has not yet substantially met the conditions required for recognition.

7. Property and Equipment

At December 31, property and equipment, and related accumulated depreciation and their depreciable lives consisted of the following:

	Estimated useful lives	2018	2017
Equipment	1 - 3 years	\$ 200,439	\$ 175,550
Leasehold improvements	3 - 4 years	642,686	40,475
Furniture and fixtures	3 - 6 years	52,487	50,880
Software	2 - 4 years	1,508,737	1,619,368
		2,404,349	1,886,273
Accumulated depreciation and amortization		(1,117,851)	(1,418,618)
		<u>\$ 1,286,498</u>	<u>\$ 467,655</u>

8. Related Party Transactions

Board of Directors

For the years ended December 31, 2018 and 2017, the MMRF received contributions from the members of the board of directors totaling approximately \$6,350,000 or 20% and \$10,500,000 or 30% of total contributions, respectively. As of December 31, 2018 and 2017, approximately \$6,615,000 or 36% and \$540,000 or 9% of contributions receivable included multi-year gifts pledged from board members.

The MMRF Minority Interests

During the years ended December 31, 2018 and 2017, the MMRF held a 5% minority interest in a for-profit company. The MMRF received ownership in this entity as part of the service agreement executed when the MMRF hired them to perform services for the MMRF in 2012. The MMRF considered the payments under the services agreement to be solely for services rendered and did not allocate any portion to investment in the entity. Additionally, the MMRF considers any cost that would have been allocated, based on the financial condition of the entity, to be immaterial to the consolidated financial statements. Accordingly, no investment in the entities has been recorded. There were no related party transactions in 2018 and 2017 with this entity.

In 2016, the MMRF held a 1% interest in Genospace, LLC. In January 2017, Genospace, LLC entered into a sales agreement which included the outstanding units held by the MMRF and as a result of the sales transaction, the MMRF received \$67,000. In 2018, the MMRF received an additional \$46,000. The MMRF is entitled to receive up to an additional \$16,000 currently held in escrow, subject to certain restrictions payable in May 2019.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

9. Research Awards

The MMRF awards research awards and grants at the recommendation of its medical/scientific advisory board. For the year ended December 31, the MMRF made the following awards:

	2018	2017
Fellows research award	\$ 225,000	\$ 375,000
Genomic data analysis	500,000	1,000,000
Immunotherapy	1,632,000	4,132,000
Program grants	-	50,761
Translational core	396,988	-
Prevention program	1,650,000	1,300,000
Site investment grants	1,054,000	1,124,000
Other Awards	-	125,000
	<u>\$ 5,457,988</u>	<u>\$ 8,106,761</u>

Grants and awards authorized and payable of \$8,569,261 at December 31, 2018 are expected to be paid within the next 12 months.

As of December 31, 2018, the MMRF has made conditional grants to 8 researchers totaling \$3,200,000.

10. LS Study (unaudited)

The MMRF Longitudinal Study (LS) (unaudited)

The MMRF Longitudinal Study (CoMMpass) was commenced in 2011 and has been extended through 2023. The MMRF is the sponsor of a personalized medicine initiative in which approximately 1,000 newly diagnosed patients have been enrolled through several sites (i.e., hospitals, academic medical centers and other community health centers) across the country. No experimental drug is used in the study, rather, blood and bone marrow samples are taken from the patients periodically over the course of their treatment. The standard of care (i.e., drugs and treatment) for each patient is determined by such patient's personal physician. The tissue samples collected are placed in a bio-bank. An unrelated, third party, not-for-profit biomedical research institute then performs laboratory tests on a portion of each of the samples resulting in genomic data about each patient.

In 2015, CoMMpass was closed to new enrollment with approximately 1,150 patients who are being followed for a period of 8 years until 2023. In December 2016, the MMRF launched a similar sample/data sharing collaboration with ECOG, (the "Eastern Cooperative Oncology Group"), which is expected to accrue approximately an additional 100 patients by the end of 2019.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

11. Restrictions and Designation of Net Assets

Net assets released from donor restrictions and disbursed during the year ended December 31 consist of the following:

	2018	2017
Brochures and magazine	\$ -	\$ 50,000
Call Center	-	10,000
Everest	130,000	-
General research	500,000	234,500
Immunotherapy	50,000	766,000
MMyRide 2017	-	275,000
Newsletter and related costs	-	38,823
Online community	-	175,000
Other	-	6,426
Patient summits	50,000	10,000
Precision medicine	455,000	455,000
Prevention program	420,000	1,350,000
Time restricted	998,125	2,079,250
Tissue study	68,533	-
Webcast	25,000	241,250
Website and related costs	-	19,000
	<u>\$ 2,696,658</u>	<u>\$ 5,710,249</u>

Donor restricted net assets as of December 31 were available for the following purpose:

	2018	2017
Everest	\$ -	\$ 130,000
General research	125,000	1,000,000
Health system pilot	1,200,000	-
Immunotherapy	100,000	150,000
Myeloma Investment Fund	10,128,950	-
Patient summits	75,000	50,000
Precision medicine	600,000	1,055,000
Prevention program	1,705,100	2,070,000
Road to Victory	180,000	-
Time restricted	3,761,875	1,590,000
Tissue study	-	68,533
Webcast	40,000	25,000
Other	170,000	-
Present value discount	(318,997)	(129,255)
	<u>\$ 17,766,928</u>	<u>\$ 6,009,278</u>

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

12. Lease Commitments

The MMRF leases office space under an operating lease that expires on February 28, 2026. Minimum annual rentals under the lease at December 31, 2018 are payable as follows:

Year ending December 31,	Minimum Lease Commitment
2019	\$ 260,624
2020	318,122
2021	323,777
2022	329,433
2023	335,088
Thereafter	745,583
	<u>\$ 2,312,627</u>

Rent expense amounted to approximately \$267,000 and \$294,000 for 2018 and 2017.

13. 403(b) Plan

The MMRF sponsors a 403(b) plan (the "Plan") covering all employees. The Plan requires the MMRF to contribute 4% of all participants' allowable compensation as defined by the Plan. Total expense for 2018 and 2017, was approximately \$166,000 and \$148,000, respectively.
