

**LYNN SAGE CANCER
RESEARCH FOUNDATION**

Chicago, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended
December 31, 2014 and 2013

LYNN SAGE CANCER RESEARCH FOUNDATION
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December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lynn Sage Cancer Research Foundation
Chicago, Illinois

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We have audited the accompanying financial statements of Lynn Sage Cancer Research Foundation (the "Foundation") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and 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.

Auditors' 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 auditors' 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 Foundation as of December 31, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information contained on pages 14 and 15 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.

Oak Brook, Illinois
April 15, 2015



LYNN SAGE CANCER RESEARCH FOUNDATION

STATEMENTS OF FINANCIAL POSITION As of December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 1,495,151	\$ 704,198
Investments	2,679,631	3,178,238
Due from Northwestern Memorial Hospital	100,869	79,764
Prepaid expenses	16,000	19,530
TOTAL ASSETS	\$ 4,291,651	\$ 3,981,730
 Liabilities		
Accounts payable	\$ 9,181	\$ 1,076
Unfulfilled pledges to Northwestern Memorial Hospital, at net present value		
Due within one year	917,550	1,245,000
Due thereafter	1,347,156	1,961,541
Total unfulfilled pledges to Northwestern Memorial Hospital	2,264,706	3,206,541
TOTAL LIABILITIES	2,273,887	3,207,617
 Net Assets		
Unrestricted	1,998,794	757,183
Temporarily restricted	18,970	16,930
TOTAL NET ASSETS	2,017,764	774,113
TOTAL LIABILITIES AND NET ASSETS	\$ 4,291,651	\$ 3,981,730

LYNN SAGE CANCER RESEARCH FOUNDATION

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	2014			2013			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	% to Total
Contributions	715,178	\$ -	\$ 715,178	649,961	\$ -	\$ 649,961	39.6 %
Fundraising Events:							
Revenues	1,152,219	18,970	1,171,189	1,349,450	16,930	1,366,380	83.3
Less: Costs of direct benefit to donors	(413,646)	-	(413,646)	(380,897)	-	(380,897)	(23.2)
Net fundraising events revenue	738,573	18,970	757,543	968,553	16,930	985,483	60.1
Total contributions and net fundraising revenues	1,453,751	18,970	1,472,721	1,618,514	16,930	1,635,444	99.7
Investment income	6,621	-	6,621	5,686	-	5,686	0.3
Net assets released from restrictions	16,930	(16,930)	-	23,425	(23,425)	-	-
Total Net Public Support and Investment Income	1,477,302	2,040	1,479,342	1,647,625	(6,495)	1,641,130	100.0
Program and Supporting Services Expenses							
Program services	145,615	-	145,615	3,128,966	-	3,128,966	190.7
Donation to Northwestern Memorial Hospital							
Supporting Services	90,076	-	90,076	88,190	-	88,190	5.4
Administrative expenses	235,691	-	235,691	3,217,156	-	3,217,156	196.1
Total Program and Supporting Services Expenses	1,241,611	2,040	1,243,651	(1,569,531)	(6,495)	(1,576,026)	(96.1) %
Change in net assets	757,183	16,930	774,113	2,326,714	23,425	2,350,139	
Net Assets, Beginning of Year	\$ 1,998,794	\$ 18,970	\$ 2,017,764	\$ 757,183	\$ 16,930	\$ 774,113	
Net Assets, End of Year							

See accompanying notes to financial statements.

LYNN SAGE CANCER RESEARCH FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Program Services		
Contributions and accrual of discount on prior years' pledges to Northwestern Memorial Hospital	<u>\$ 145,615</u>	<u>\$ 3,128,966</u>
Total Program Services	<u>145,615</u>	<u>3,128,966</u>
Supporting Services		
Accounting, audit and tax	22,256	21,335
Bank and credit cards fees	18,494	17,064
Communications	-	823
Gifts and awards	182	1,380
Insurance	2,691	2,695
Meetings	36	2,346
Miscellaneous	-	340
Office	3,175	4,358
Postage	1,224	450
Printing	17,087	24,411
Publications	<u>24,931</u>	<u>12,988</u>
Total Supporting Services	<u>90,076</u>	<u>88,190</u>
Total Functional Expenses	<u>\$ 235,691</u>	<u>\$ 3,217,156</u>

LYNN SAGE CANCER RESEARCH FOUNDATION

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 1,243,651	\$ (1,576,026)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized (gain) loss on investments	(1,152)	4,199
Amortization of unfulfilled pledge discount	135,615	48,957
(Increase) decrease in assets:		
Due from Northwestern Memorial Hospital	(21,105)	11,676
Prepaid expenses	3,530	(15,530)
Increase (decrease) in liabilities:		
Accounts payable	8,105	1,076
Unfulfilled pledges to Northwestern Memorial Hospital	(1,077,450)	2,081,084
Net cash flows from operating activities	291,194	555,436
Cash Flows From Investing Activities		
Purchases of investments	(505,183)	(510,192)
Sales/redemptions of investments	1,004,942	11,751
Net cash flows from investing activities	499,759	(498,441)
Net change in cash and cash equivalents	790,953	56,995
Cash and cash equivalents, beginning of year	704,198	647,203
Cash and cash equivalents, end of year	\$ 1,495,151	\$ 704,198
Noncash Investing Activities		
Donated securities	\$ 49,995	\$ 44,685

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF OPERATIONS

Lynn Sage Cancer Research Foundation (the "Foundation") is an Illinois not-for-profit corporation incorporated on September 14, 1990 to support research in the areas of oncology and clinical oncology, and educational and counseling programs relating to the treatment and prevention of breast cancer. Funds are raised through contributions, gifts, fundraising events, and investment activities. Funds raised through these activities are applied to support breast cancer research by making grants to Northwestern Memorial Hospital and other publicly supported exempt organizations, as well as in direct educational outreach programs and awards to researchers.

Affiliation

During 2003, the Foundation entered into an "Affiliation Agreement" with Northwestern Memorial Foundation ("NMF"). The parties have agreed that NMF will be the sole organizational affiliate of the Lynn Sage Cancer Research Foundation. Both Northwestern Memorial Hospital ("NMH") and Feinberg School of Medicine at Northwestern University will remain as the Foundation's principal organizational beneficiaries through grants from the Foundation. On occasion, the Foundation may provide financial gifts or other assistance to cancer support organizations such as Y-Me.

In consideration for the Foundation's support, the principal breast health center at NMH shall continue to be named the "Lynn Sage Comprehensive Breast Center," and the breast health program at NMH shall continue to be named the "Lynn Sage Breast Program." The Northwestern University Medical School has agreed to name its breast cancer research program the "Lynn Sage Breast Cancer Research Program of Northwestern University Medical School." NMF will continue to provide administrative and fundraising support, at no cost, to the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

These financial statements, which are presented on the accrual basis of accounting, have been prepared in accordance with standards relating to financial statements of not-for-profit organizations, to focus on the Foundation as a whole. These standards are for external financial reporting by not-for-profit organizations and require that resources be classified into distinct net asset categories according to externally (donor) imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets would permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. The Foundation did not hold any permanently restricted net assets at December 31, 2014 and 2013.

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e. the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributions, Fundraising Events and Contributed Stock

The standards relating to accounting for contributions received and contributions made, generally require all unconditional contributions made to a not-for-profit organization be measured at fair market value on the date received and be recognized as revenue or gains in the period received. The Foundation records contributions of stock at fair market value on the date of the gift.

Contributions are defined as contributions and revenues excluding Fundraising Events revenue. Fundraising Events revenue is defined as contributions and revenues generated as a result of a Foundation fundraising event.

In similar fashion, there is a requirement that unconditional promises made by a not-for-profit organization be recognized as contributions and payables in the period that the promise is made.

Cash and Cash Equivalents

The Foundation considers all short-term highly-liquid debt instruments with a maturity of three months or less, when acquired, to be cash equivalents.

The Foundation maintains cash balances which exceed the federally insured limit of \$250,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

In accordance with the standards relating to accounting for certain investments held by not-for-profit organizations, the Foundation records investments at their fair or appraised values, and both realized and unrealized gains and losses are reflected in the statement of activities.

Fair value is based on the quoted market value at the end of the year. Appraised values, when necessary, are determined by management. At December 31, 2014 and 2013, all investments were based on quoted market values.

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Foundation conducts nondirect response advertising. These costs are expensed as incurred. For the years ended December 31, 2014 and 2013, the Foundation incurred \$34,575 and \$31,912, respectively, in advertising expenses.

Use of Estimates

The preparation of these 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 reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Valuation Techniques and Inputs

Level 2 - Level 2 assets include investments in certificates of deposit and money market accounts as they are based on quoted prices in markets that are not active.

There have been no changes in the techniques and inputs used as of December 31, 2014 and 2013.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2014 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Certificates of deposit	\$ 994,744	\$ -	\$ 994,744	\$ -
Money market account	1,684,887	-	1,684,887	-
Total	<u>\$ 2,679,631</u>	<u>\$ -</u>	<u>\$ 2,679,631</u>	<u>\$ -</u>

The following tables present information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2013 based upon the three-tier hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Certificates of deposit	\$ 1,491,592	\$ -	\$ 1,491,592	\$ -
Money market account	1,686,646	-	1,686,646	-
Total	<u>\$ 3,178,238</u>	<u>\$ -</u>	<u>\$ 3,178,238</u>	<u>\$ -</u>

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 - TAX EXEMPT STATUS

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2014 and 2013. The Foundation's tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2011 and thereafter are open to examination by federal and state authorities.

NOTE 5 - DUE FROM NORTHWESTERN MEMORIAL HOSPITAL

Amounts due from Northwestern Memorial Hospital are non-interest bearing, without fixed terms of repayment, and due on demand. These amounts arise from contributions and other fundraising cash received by the hospital on behalf of the Foundation.

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 - INVESTMENTS

A summary of investments at December 31, 2014 and 2013 is as follows:

	2014		
	Cost	Unrealized Appreciation (Depreciation)	Value
Certificates of deposit	\$ 996,000	\$ (1,256)	\$ 994,744
Money market account	1,684,887	-	1,684,887
	\$ 2,680,887	\$ (1,256)	\$ 2,679,631
	2013		
	Cost	Unrealized Appreciation (Depreciation)	Value
Certificates of deposit	\$ 1,494,000	\$ (2,408)	\$ 1,491,592
Money market account	1,686,646	-	1,686,646
	\$ 3,180,646	\$ (2,408)	\$ 3,178,238

A summary of investment income at December 31, 2014 and 2013 is as follows:

	2014	2013
Interest	\$ 6,903	\$ 11,870
Unrealized gain (loss) on investments	1,152	(4,199)
Investment fees	(1,434)	(1,985)
	\$ 6,621	\$ 5,686

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7 - PLEDGE COMMITMENTS

During 2011, the Foundation committed \$700,000 to Northwestern Memorial Hospital to support Dominick's Scholars. \$500,000 is payable in 2015.

During 2013, the Foundation committed \$3,000,000 to the Northwestern Memorial Hospital to support the Hospital's breast cancer research and education. \$1,077,450 and \$285,000 was paid in 2014 and 2013, respectively. \$137,550 of the commitment is payable in 2015. The remaining commitment is payable in two installments of \$750,000 from 2016 to 2017.

During 2013, the Foundation committed \$80,000 to Northwestern Memorial Foundation in support of a fellowship in Breast Cancer Pathology. This amount is payable in 2015.

During 2013, the Foundation committed \$200,000 to the Northwestern Memorial Foundation in support of breast cancer research at Northwestern Memorial Hospital and the Robert H. Lurie Comprehensive Career Center of Northwestern University to support the Lynn Sage Dominick's Scholars. This amount is payable in 2015.

During 2014, the Foundation committed \$10,000 to the Northwestern Memorial Foundation in support of Nutrition and Wellness Education. This amount was paid in a single installment in 2014.

The following table summarizes grant activity for both 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Outstanding obligation at beginning of year	\$ 3,206,541	\$ 1,076,500
Commitments made during the year	10,000	3,045,009
Payments during the year	(1,087,450)	(963,925)
Amortization of discount recognized	<u>135,615</u>	<u>48,957</u>
Obligation at End of Year	<u>\$ 2,264,706</u>	<u>\$ 3,206,541</u>

The Foundation has undertaken to make payments on its remaining 2014 and 2013 obligations to Northwestern Memorial Hospital on the following schedule, which is presented at the net present value of these obligations for 2014 and 2013:

<u>Year Ended December 31,</u>	<u>2014</u>	<u>2013</u>
2014	\$ -	\$ 1,245,000
2015	917,550	750,000
2016	750,000	750,000
2017	750,000	750,000
Less: Discount to net present value at 5.60%	<u>(152,844)</u>	<u>(288,459)</u>
	<u>\$ 2,264,706</u>	<u>\$ 3,206,541</u>

LYNN SAGE CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring through April 15, 2015, the date that the financial statements were available to be issued for events requiring recording or disclosure in the Foundation's financial statements.

SUPPLEMENTAL INFORMATION

LYNN SAGE CANCER RESEARCH FOUNDATION

SCHEDULES OF FUNDRAISING EVENTS
For the Years Ended December 31, 2014 and 2013

	2014					
	Gala and Dinner	Golf	Run	Summer Soiree	Winter Event	Total
Revenues	\$ 844,476	\$ 124,861	\$ 60,348	\$ 41,847	\$ 99,657	\$ 1,171,189
Cost of direct benefit to donors	279,634	47,304	38,370	9,469	38,869	413,646
Net fundraising events revenue	\$ 564,842	\$ 77,557	\$ 21,978	\$ 32,378	\$ 60,788	\$ 757,543

	2013					
	Gala and Dinner	Golf	Run	Summer Soiree	Winter Event	Total
Revenues	\$ 1,116,432	\$ 127,890	\$ -	\$ 36,277	\$ 85,781	\$ 1,366,380
Cost of direct benefit to donors	282,724	56,938	-	6,509	34,726	380,897
Net fundraising events revenue	\$ 833,708	\$ 70,952	\$ -	\$ 29,768	\$ 51,055	\$ 985,483

