T.J. Martell Foundation

Leukemia, Cancer and AIDS Research

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The T.J. Martell Foundation for Leukemia,
Cancer and AIDS Research
New York, New York

Report on the Financial Statements
We have audited the accompanying financial statements of The T.J. Martell Foundation for Leukemia, Cancer and AIDS Research, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows and functional expenses 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.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 positions of The T.J. Martell Foundation for Leukemia, Cancer and AIDS Research as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

September 25, 2017

THE T.J. MARTELL FOUNDATION FOR LEUKEMIA, CANCER AND AIDS RESEARCH

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 2,730,194	$ 2,353,210
Investments	2,022,706	1,948,971
Accounts receivable, net	246,357	345,938
Pledges receivable, net	16,195	33,195
Other current assets	163,607	152,901
Property and equipment, net	19,209	13,414
Total assets	$ 5,198,268	$ 4,847,629

LIABILITIES AND NET ASSETS

Grant allocations payable	$ 2,128,128	$ 2,110,282
Accounts payable and accrued expenses	139,051	81,736
Deferred income	94,572	82,660
Total liabilities	2,361,751	2,274,678
Net assets:		
Unrestricted	2,552,080	2,329,313
Temporarily restricted	284,437	243,638
Total net assets	2,836,517	2,572,951
Total liabilities and net assets	$ 5,198,268	$ 4,847,629

The accompanying notes are an integral part of these financial statements.

THE T.J. MARTELL FOUNDATION FOR LEUKEMIA, CANCER AND AIDS RESEARCH

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2016			Year ended December 31, 2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Grants and contributions	$ 134,572	$ 37,039	$ 171,611	$ 237,830	$ 5,000	$ 242,830
Donated services	841,955		841,955	1,165,970		1,165,970
Special events:						
Contribution from special events	3,945,387	247,398	4,192,785	3,459,261	117,534	3,576,795
Revenue from special events	543,072		543,072	744,612		744,612
Special events, direct expenses	(1,824,231)		(1,824,231)	(1,867,578)		(1,867,578)
Special events, net	2,664,228	247,398	2,911,626	2,336,295	117,534	2,453,829
Investment income	75,329		75,329	4,396		4,396
Total support and revenue	3,716,084	284,437	4,000,521	3,744,491	122,534	3,867,025
Net assets released from restriction	243,638	(243,638)		78,756	(78,756)	
	3,959,722	40,799	4,000,521	3,823,247	43,778	3,867,025
Expenses:						
Program services	2,458,585		2,458,585	2,056,682		2,056,682
Supporting services:						
Management and general	150,776		150,776	143,115		143,115
Fundraising	1,127,594		1,127,594	1,286,912		1,286,912
Total supporting services	1,278,370		1,278,370	1,430,027		1,430,027
Total expenses	3,736,955		3,736,955	3,486,709		3,486,709
Change in net assets	222,767	40,799	263,566	336,538	43,778	380,316
Net assets, beginning of year	2,329,313	243,638	2,572,951	1,992,775	199,860	2,192,635
Net assets, end of year	$ 2,552,080	$ 284,437	$ 2,836,517	$ 2,329,313	$ 243,638	$ 2,572,951

The accompanying notes are an integral part of these financial statements.

THE T.J. MARTELL FOUNDATION FOR LEUKEMIA, CANCER AND AIDS RESEARCH

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 263,566	$ 380,316
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,979	22,801
Loss on disposal of property and equipment		27
Realized and unrealized (gain) loss on investments	(10,984)	122,372
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	99,581	28,528
Pledges receivable, net	17,000	61,038
Other current assets	(10,706)	50,372
Increase (decrease) in:		
Grant allocations payable	17,846	(173,608)
Accounts payable and accrued expenses	57,315	(85,098)
Deferred income	11,912	47,245
Net cash provided by operating activities	449,509	453,993
Cash flows from investing activities:		
Purchase of property and equipment	(9,774)	(8,833)
Purchase of investments	(62,751)	(125,233)
Net cash used by investing activities	(72,525)	(134,066)
Net increase in cash and cash equivalents	376,984	319,927
Cash and cash equivalents, beginning of year	2,353,210	2,033,283
Cash and cash equivalents, end of year	$ 2,730,194	$ 2,353,210

The accompanying notes are an integral part of these financial statements.

THE T.J. MARTELL FOUNDATION FOR LEUKEMIA, CANCER AND AIDS RESEARCH

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2016 and 2015

	Program service expenses		Supporting service expenses						Total program and supporting service expenses	
			Management and general		Fundraising		Total			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Salaries	$ 344,963	$ 385,677	$ 71,657	$ 70,564	$ 321,791	$ 358,319	$ 393,448	$ 428,883	$ 738,411	$ 814,560
Payroll taxes and benefits	97,269	114,704	18,626	21,965	91,061	107,382	109,687	129,347	206,956	244,051
Total personnel costs	442,232	500,381	90,283	92,529	412,852	465,701	503,135	558,230	945,367	1,058,611
Grants	1,272,846	717,642							1,272,846	717,642
Professional fees	100,725	44,581	17,641	8,424	86,245	41,186	103,886	49,610	204,611	94,191
Office rent, telephone and supplies	121,576	97,499	23,280	18,669	113,816	91,276	137,096	109,945	258,672	207,444
Printing and postage	26,563	32,019	5,087	6,131	24,868	29,976	29,955	36,107	56,518	68,126
Public relations, education, and advertising	428,175	578,894	1,757	959	427,590	578,575	429,347	579,534	857,522	1,158,428
Bank and credit card processing fees	9,137	11,683	1,750	2,237	8,554	10,938	10,304	13,175	19,441	24,858
Insurance	12,433	19,206	2,381	3,677	11,639	17,980	14,020	21,657	26,453	40,863
Bad debt	24,276	30,785	4,649	5,895	22,726	28,820	27,375	34,715	51,651	65,500
Meetings and travel	15,971	11,768	3,058	2,254	14,951	11,017	18,009	13,271	33,980	25,039
Depreciation	1,870	10,717	358	2,052	1,751	10,032	2,109	12,084	3,979	22,801
Miscellaneous expenses	2,781	1,507	532	288	2,602	1,411	3,134	1,699	5,915	3,206
Total expenses	$ 2,458,585	$ 2,056,682	$ 150,776	$ 143,115	$ 1,127,594	$ 1,286,912	$ 1,278,370	$ 1,430,027	$ 3,736,955	$ 3,486,709

The accompanying notes are an integral part of these financial statements.

THE T.J. MARTELL FOUNDATION FOR LEUKEMIA, CANCER AND AIDS RESEARCH

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

1. Summary of significant accounting policies

This summary of significant accounting policies of The T.J. Martell Foundation for Leukemia, Cancer and AIDS Research (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in *FASB Accounting Standards Codification* (the Codification), and have been consistently applied in the preparation of the financial statements.

Objectives of the Foundation

The Foundation is dedicated to raising funds for the innovative; initial and ongoing research of the treatments and cures of leukemia, cancer and AIDS. The Foundation's board of directors authorizes grants to various institutions for the purpose of leukemia, cancer and AIDS research. All fundraising and management and general expenses are in support of the Foundation's sole mission to provide grants.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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 permit the Foundation to use all or part of any income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2016 or 2015.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investments that are donated are measured at the fair market value at the date of acquisition. Unrealized gains and losses are reported in the changes in net assets on the statement of activities based on the existence or absence of donor imposed restrictions.

1. Summary of significant accounting policies (continued)

Allowance for doubtful accounts

Accounts receivable is stated at unpaid balances, less an allowance for doubtful accounts of $14,165 at years ended December 31, 2016 and 2015. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on management's knowledge of which individual receivables are likely to not be collected. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and equipment

Property and equipment are stated at cost, or for donated items, at the fair market value of the asset on the date of the gift. Depreciation is provided principally on the straight-line method at rates based on the following estimated useful lives.

Computer equipment	5 years
Furniture and fixtures	7 years
Website costs	3 years
Leasehold improvements	3 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments in excess of $500 that extend the useful lives, are capitalized.

Grant allocations payable

Grants are recognized at the date of a formal, unconditional promise to give commitment. Grants that are expected to be paid in future years are recorded at present value of expected future payments. At December 31, 2016, grants were discounted using treasury rate at the time of the multi-year commitment, which was 2.18 percent.

Deferred income

Payments received for special events to be held after December 31, 2016 and 2015, are recorded as deferred income and recognized as revenue when the events occur and the funds are earned.

Contributions

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

1. Summary of significant accounting policies (continued)

Donated services

The Foundation receives donated services from specialized providers and other volunteers that create or enhance non-financial assets and allow the Foundation to fulfill its mission. Donated specialized services have been recognized on the accompanying financial statements. These donated services require professional skills, and would typically need to be purchased if not provided by donation (See Note 13).

Non-cash donations, other than professional services, are recorded as support at their estimated fair value at the date of donation.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services based on management's best estimates.

Income taxes

The Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

Uncertain tax positions

As of December 31, 2016, management believes that based on evaluation of the Foundation's tax positions that any liability as a result of uncertain tax positions would not be material. Management evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Foundation's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2013 are closed.

Reclassifications

Certain amounts from the 2015 financial statements have been reclassified to conform to the 2016 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts and pledges receivable. The Foundation maintains its cash in demand deposit accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position. Concentration of credit risk with respect to accounts and pledges receivable is reduced due to the fact that the receivables are from prominent individuals and/or corporations.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following at December 31:

	2016	2015
Operating account	$ 2,423,853	$ 2,050,322
Money market	306,341	302,888
	$ 2,730,194	$ 2,353,210

4. Fair value measurements

The Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

4. Fair value measurements (continued)

The classification of the investment securities at fair value as follows at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Bond Funds	$ 2,022,706	$	$	$ 2,022,706

The classification of the investment securities at fair value as follows at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Bond Funds	$ 1,948,971	$	$	$ 1,948,971

The following schedule summarizes the investment return for the years ended December 31, 2016 and 2015. All investment earnings are available for the unrestricted use of the Foundation.

	2016	2015
Interest income from cash accounts	$ 1,594	$ 1,535
Dividend and interest income from investments	62,751	125,233
Realized and unrealized gain (loss) on investments	10,984	(122,372)
	$ 75,329	$ 4,396

5. Pledges receivable

Pledges receivable consist of unconditional promises to give to support the programs of the Foundation. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates of 0.94% for the years ended December 31, 2016 and 2015.

Pledges receivable are due as follows at December 31:

	2016	2015
One year or less	$ 8,195	$ 23,750
One to five years	8,000	25,000
	16,195	48,750
Less discount on pledges		555
Less allowance for doubtful accounts		15,000
	$ 16,195	$ 33,195

6. Property and equipment

Property and equipment consists of the following at December 31:

	2016	2015
Computer equipment	$ 20,017	$ 21,493
Furniture and fixtures	8,252	7,300
Leasehold improvements	4,960	
Website costs	70,750	70,750
	103,979	99,543
Less accumulated depreciation	84,770	86,129
	$ 19,209	$ 13,414

Depreciation expense for the years ended December 31, 2016 and 2015 was $3,979 and $22,801, respectively.

7. Retirement plan

The Foundation's board of directors authorizes annual contributions to a Simplified Employee Pension Individual Retirement Account (SEP IRA). The Foundation contributes an amount calculated as a percentage of an employee's annual salary. SEP IRA expense for the years ended December 31, 2016 and 2015 totaled $23,229 and $18,036, respectively.

8. Concentration of revenue

The Foundation is primarily supported by major companies in the music industry as well as by their vendors. Annually, the Foundation hosts a humanitarian awards gala. Approximately 30% and 35% of the Foundation's special events revenue in 2016 and 2015, respectively, was derived from the contributions received through the fundraising efforts made in connection with this gala.

9. Commitments and contingencies

The Foundation leases various office spaces under operating leases that have various expiration dates through 2019. The following is a schedule by year of future minimum rental payments required under the operating leases which have a remaining non-cancelable lease term in excess of one year at December 31, 2016:

2017	$ 83,467
2018	68,476
2019	58,480
	$ 210,423

Rent expense for the years ended December 31, 2016 and 2015 was $132,120 and $140,185, respectively.

10. Program grants

The following grants were authorized and payable by the Foundation in support of leukemia, cancer and AIDS research as of and for the years ended December 31:

	2016		2015	
	Grant authorized	Payable	Grant authorized	Payable
Grantee:				
Mount Sinai School of Medicine	$ 150,000	$ 175,000	$ 100,000	$ 235,000
Vanderbilt University Medical Center	400,000	450,000	200,000	360,000
Children's Hospital Los Angeles	200,000	225,000	100,000	182,500
Memorial Sloan-Kettering	121,000	141,000	80,000	120,000
Columbia University	250,000	275,000	100,000	175,000
Mayo Foundation				15,000
Emory		750,000	50,000	850,000
MD Anderson	86,000	112,250	50,000	86,250
Young Researchers	50,000	50,000		50,000
Mount Sinai - Cardon				17,500
National Fellowship				50,000
Harvard School of Public Health		5,000	20,000	40,000
	1,257,000	2,183,250	700,000	2,181,250
Less discount		55,122		70,968
	$ 1,257,000	$ 2,128,128	$ 700,000	$ 2,110,282

The following summarizes grant activity for the years ended December 31:

	2016	2015
Grants payable, beginning of year	$ 2,110,282	$ 2,283,890
Grants awarded	1,257,000	700,000
Payments made	(1,255,000)	(891,250)
Discount amortization	15,846	17,642
Grants payable, end of the year	$ 2,128,128	$ 2,110,282

Future minimum payments under these grants, net of discount, are as follows for years ending December 31:

2017	$ 1,583,250
2018	95,779
2019	93,735
2020	91,735
2021	89,778
Thereafter	173,851
	$ 2,128,128

11. Temporarily restricted net assets

Temporarily restricted net assets are available as follows at December 31:

	2016	2015
Sarcoma Research	$ 118,038	$ 149,606
Breast Cancer Research	23,237	39,738
Bladder Cancer Research		200
Emory University Research		25,434
Colon Cancer Research		23,660
MD Anderson Cancer Center	83,532	
Ovarian Cancer Research	59,630	
Pediatric Cancer Research		5,000
	$ 284,437	$ 243,638

Net assets were released from restrictions as follows during the year ended December 31:

	2016	2015
Sarcoma Research	$ 149,606	$ 50,000
Breast Cancer Research	39,738	
Bladder Cancer Research	200	
Emory University Research	25,434	
Colon Cancer Research	23,660	
Pediatric Cancer Research	5,000	
Young Ambassadors - VICC		28,756
	$ 243,638	$ 78,756

12. Related party transactions

The Foundation received professional services from several companies that are owned by members of the Foundation's Board of Directors. During the fiscal years ended December 31, 2016 and 2015, the Foundation paid $46,640 and $43,854, respectively, for these professional services.

13. Non-cash contributions

Specialized donated services amounted to $841,955 and $1,165,970 in 2016 and 2015, respectively.

During the years ended December 31, 2016 and 2015, the Foundation received a substantial amount of air time to broadcast public service announcements with a value of $838,000 and $1,147,770, respectively. The announcements were provided by various companies through a board member of the Foundation, which is an employee at one of these companies. The fair value of the announcements is included as part of donated services and public relations, education, and advertising. Other miscellaneous donated services received by the Foundation amounted to $3,955 and $18,200 in 2016 and 2015, respectively.

14. Allocation of joint costs

The Organization has allocated the joint costs of the air time received to broadcast public service announcements. This activity with a value of $838,000 and $1,147,770 at December 31, 2016 and 2015, respectively, includes both programmatic and fundraising components.

For the year ended December 31, 2016, the allocation of this joint cost was allocated $419,000 to program expenses and $419,000 to fundraising expenses. For the year ended December 31, 2015, the allocation of this joint cost was allocated $573,885 to program expenses and $573,885 to fundraising expenses.

15. Subsequent events

Subsequent events have been evaluated through September 25, 2017, which is the date the financial statements were available to be issued.