MELANOMA RESEARCH ALLIANCE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Melanoma Research Alliance Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of Melanoma Research Alliance Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Melanoma Research Alliance Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Melanoma Research Alliance Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

September 22, 2016
Los Angeles, California

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2015
With Summarized Totals at December 31, 2014

	2015			
ASSETS:	Unrestricted	Temporarily Restricted	Total	Total 2014
Cash and Cash Equivalents	$ 17,964,156	$ 4,237,926	$ 22,202,082	$ 16,216,707
Contributions Receivable (Net)	-	10,620,521	10,620,521	14,958,422
Due from Affiliate	-	-	-	166
Prepaid Expenses and Other Assets	43,291	-	43,291	37,421
Property and Equipment (Net)	29,300	-	29,300	30,836
TOTAL ASSETS	$ 18,036,747	$ 14,858,447	$ 32,895,194	$ 31,243,552
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 714,723	$ -	$ 714,723	$ 139,129
Deferred Revenue	265,000	-	265,000	152,500
Due to Affiliate	41,569	-	41,569	-
TOTAL LIABILITIES	1,021,292	-	1,021,292	291,629
NET ASSETS:				
Unrestricted	17,015,455	-	17,015,455	12,920,141
Temporarily Restricted	-	14,858,447	14,858,447	18,031,782
TOTAL NET ASSETS	17,015,455	14,858,447	31,873,902	30,951,923
TOTAL LIABILITIES AND NET ASSETS	$ 18,036,747	$ 14,858,447	$ 32,895,194	$ 31,243,552

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended December 31, 2015
With Summarized Totals for the Year Ended December 31, 2014

	2015			
	Unrestricted	Temporarily Restricted	Total	Total 2014
REVENUES, PUBLIC SUPPORT AND OTHER INCOME:				
Contributions	$ 2,765,483	$ 1,185,388	$ 3,950,871	$ 6,012,811
Special Events (Net of Cost of Direct Donor Benefits of $320,910)	3,595,307	3,276,000	6,871,307	1,248,723
Sponsorships	425,000	-	425,000	404,600
Interest Income	48,679	-	48,679	38,164
In-Kind Contributions	61,523	-	61,523	173,452
Other Income	8,419	-	8,419	147,143
Net Assets Released from:				
Purpose Restrictions	1,752,050	(1,752,050)	-	-
Time Restrictions	5,882,673	(5,882,673)	-	-
TOTAL REVENUES, PUBLIC SUPPORT AND OTHER INCOME	14,539,134	(3,173,335)	11,365,799	8,024,893
FUNCTIONAL EXPENSES:				
Program Services	9,302,692	-	9,302,692	11,216,208
Management and General	452,520	-	452,520	395,417
Fundraising	688,608	-	688,608	687,333
TOTAL FUNCTIONAL EXPENSES	10,443,820	-	10,443,820	12,298,958
CHANGE IN NET ASSETS	4,095,314	(3,173,335)	921,979	(4,274,065)
Net Assets - Beginning of Year	12,920,141	18,031,782	30,951,923	35,225,988
NET ASSETS - END OF YEAR	$ 17,015,455	$ 14,858,447	$ 31,873,902	$ 30,951,923

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015
With Summarized Totals for the Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total Expenses 2015	Total Expenses 2014
Research Grants	$ 7,834,570	$ -	$ -	$ 7,834,570	$ 9,879,193
Personnel Costs	664,408	303,213	442,734	1,410,355	1,258,958
Meetings and Conferences	203,523	3,143	4,493	211,159	389,484
Professional Fees	161,836	64,655	59,049	285,540	342,032
Occupancy	73,309	32,914	43,387	149,610	170,534
Other Expenses	132,821	39,551	64,866	237,238	134,024
Travel and Entertainment	232,225	9,044	74,079	315,348	124,733
TOTAL 2015 FUNCTIONAL EXPENSES	$ 9,302,692	$ 452,520	$ 688,608	$ 10,443,820	
	89%	4%	7%	100%	
TOTAL 2014 FUNCTIONAL EXPENSES	$ 11,216,208	$ 395,417	$ 687,333		$ 12,298,958

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF CASH FLOWS
Year Ended December 31, 2015
With Summarized Totals for the Year Ended December 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 921,979	$ (4,274,065)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By Operating Activities:		
Depreciation	21,892	20,956
Change in Present Value Discount	(26,441)	(129,104)
(Increase) Decrease in:		
Contributions Receivable	4,364,342	6,329,140
Due from Affiliate	166	(166)
Prepaid Expenses and Other Assets	(5,870)	13,318
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	575,594	(79,101)
Deferred Revenue	112,500	32,500
Due to Affiliate	41,569	(1,684)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,005,731	1,911,794
CASH FLOWS USED IN INVESTING ACTIVITY:		
Purchase of Property and Equipment	(20,356)	(9,946)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,985,375	1,901,848
Cash and Cash Equivalents - Beginning of Year	16,216,707	14,314,859
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 22,202,082	$ 16,216,707

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - NATURE OF ORGANIZATION

The Melanoma Research Alliance Foundation (MRA) accelerates the pace of scientific discovery and its translation into effective options for patients in order to eliminate suffering and death due to melanoma. MRA's ultimate goal is to find a cure for this deadly skin cancer.

MRA finds and funds the most promising melanoma research worldwide that will accelerate progress toward a cure. Thanks to the generous ongoing support of its founders, Debra and Leon Black, all public donations to MRA go directly to melanoma research. Since its inception in 2007, MRA has become the largest private funder of melanoma research. MRA is a 501(c)(3) charity formed under the auspices of The Milken Institute.

MRA's primary program is its worldwide research portfolio. MRA's grants make transforming advances in the prevention, diagnosis, staging, and treatment of melanoma, including research in biological causes of carcinogenesis, skin screening, biomarkers, imaging, immunotherapy, molecularly targeted therapy, and combination therapy. MRA conducts an annual Scientific Retreat and ongoing oversight activities to manage and implement this grants program, and accelerate the pace of discovery.

Collaboration is at MRA's core, from the team approaches to research that it funds, to the way it finds partners who can help realize its vision, including matching funding for research awards to enhance support for the most promising science. MRA is focused on outreach activities to engage people and organizations that share its mission, and counts upon a growing list of allies in the fight against melanoma, helping conduct programs to promote awareness and education about the dangers of melanoma, while garnering additional resources to defeat melanoma through research.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting. These financial statements are reflected on a stand-alone basis. The consolidated financial statements of The Milken Institute include the financial results of MRA.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of MRA are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Temporarily Restricted.** MRA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. MRA has $14,858,447 of temporarily restricted net assets at December 31, 2015.

- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit MRA to expend all of the income (or other economic benefits) derived from the donated assets. MRA has no permanently restricted net assets at December 31, 2015.

(c) CASH AND CASH EQUIVALENTS

MRA has defined cash and cash equivalents as cash in bank and money market accounts with an original maturity of three months or less. The carrying value of cash and cash equivalents at December 31, 2015 approximates its fair value.

MRA maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. MRA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) CONTRIBUTIONS RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. MRA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. A discount rate of 2.5% had been used to calculate the present value discount of contributions receivable, which amounted to $92,528 at December 31, 2015. At December 31, 2015, all contributions receivable are considered fully collectible; therefore, no allowance for doubtful pledges has been established.

(e) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Computer Equipment and Software	3 - 5 Years

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) LONG-LIVED ASSETS

MRA reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended December 31, 2015.

(g) REVENUE RECOGNITION AND DEFERRED REVENUE

Contributions. Unconditional contributions, including pledges recorded at fair value, are recognized as revenues in the period received. MRA reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Sponsorships. Revenues received under sponsorship agreements are deferred and recognized as income in accordance with the terms of the related agreements. Sponsorships are typically for MRA's Annual Scientific Retreat; as a result, sponsorship revenue is recognized as income in the period in which the related retreat is held.

In-Kind Contributions. Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions received during the year ended December 31, 2015 totaled $61,523.

(h) GRANTS

Grants are charged against operations when authorized by the Board of Directors and approved by the Chief Executive Officer. The actual payment of the grant may not occur in the year of authorization. Conditional grants are not recognized until the conditions are substantially met.

MRA has $9,388,391 in research-related contractual grant commitments outstanding. These commitments are contingent upon review and approval by MRA of annual progress reports of research team performance, outcomes and expenditures.

The conditional grant commitments at December 31, 2015 are expected to be paid out as follows:

2016	$ 6,617,815
2017	2,653,908
2018	116,668
TOTAL	$ 9,388,391

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) INCOME TAXES

MRA is exempt from taxation under Internal Revenue Code Section 501(c)(3) and the corresponding state provisions.

(j) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing MRA's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. MRA uses functional time estimates to allocate indirect costs.

(k) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

(l) COMPARATIVE TOTALS

The financial statements include certain prior-period summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with MRA's financial statements for the year ended December 31, 2014 from which the summarized financial information was derived.

(m) SUBSEQUENT EVENTS

MRA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through September 22, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2015 are expected to be collected as follows:

Within One Year	$ 7,878,799
In One to Six Years	2,834,250
TOTAL	10,713,049
Less: Present Value Discount	(92,528)
CONTRIBUTIONS RECEIVABLE (NET)	$ 10,620,521

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 consist of the following:

Computer Equipment and Software	$	101,179
Less: Accumulated Depreciation		(71,879)
PROPERTY AND EQUIPMENT (NET)	$	29,300

Depreciation expense for the year ended December 31, 2015 was $21,892.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 consist of the following:

Time Restricted	$	7,417,971
Young Investigator Awards		7,440,476
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$	14,858,447

NOTE 6 - RELATED PARTIES

MRA was formed under the auspices of The Milken Institute (the Institute). MRA reimburses the Institute for certain services that the Institute performs on behalf of MRA and the balance due to the Institute at December 31, 2015 totaled $41,569.

The Institute administers MRA's defined contribution pension plan, which is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees and the plan provides for discretionary matching of up to 2% of each participant's compensation, which vests immediately. Employees may make contributions to the plan up to the maximum annual amount allowed by the Internal Revenue Code. Pension expense charged to operations for the year ended December 31, 2015 was $17,455.

MRA sub-leases office space and equipment from The Milken Institute under an operating lease which expired in June 2013. Since its expiration, MRA sub-leases this office space on a month-to-month basis. Rent expense under this operating lease for the year ended December 31, 2015 amounted to $124,005.