

**MELANOMA RESEARCH  
ALLIANCE FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

August 23, 2018  
Los Angeles, California

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

STATEMENT OF FINANCIAL POSITION

December 31, 2017

With Summarized Totals at December 31, 2016

	2017			Total 2016
	Unrestricted	Temporarily Restricted	Total	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 14,121,998	\$ -	\$ 14,121,998	\$ 22,555,754
Investments	10,219,557	-	10,219,557	-
Contributions Receivable (Net)	-	18,009,454	18,009,454	8,288,256
Due from Affiliate	-	-	-	1,260
Prepaid Expenses and Other Assets	75,043	-	75,043	33,604
Property and Equipment (Net)	-	-	-	3,579
<b>TOTAL ASSETS</b>	<b>\$ 24,416,598</b>	<b>\$ 18,009,454</b>	<b>\$ 42,426,052</b>	<b>\$ 30,882,453</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 137,004	\$ -	\$ 137,004	\$ 74,168
Grants Payable (Net)	11,848,581	-	11,848,581	13,204,967
Deferred Revenue	57,240	-	57,240	110,000
Due to Affiliate	16,744	-	16,744	-
<b>TOTAL LIABILITIES</b>	<b>12,059,569</b>	<b>-</b>	<b>12,059,569</b>	<b>13,389,135</b>
<b>NET ASSETS:</b>				
Unrestricted	12,357,029	-	12,357,029	9,205,062
Temporarily Restricted	-	18,009,454	18,009,454	8,288,256
<b>TOTAL NET ASSETS</b>	<b>12,357,029</b>	<b>18,009,454</b>	<b>30,366,483</b>	<b>17,493,318</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,416,598</b>	<b>\$ 18,009,454</b>	<b>\$ 42,426,052</b>	<b>\$ 30,882,453</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

With Summarized Totals for the Year Ended December 31, 2016

	2017			Total 2016
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES, PUBLIC SUPPORT AND OTHER INCOME:</b>				
Contributions	\$ 2,426,125	\$ 515,000	\$ 2,941,125	\$ 6,271,125
Special Events (Net of Cost of Direct Donor Benefits of \$426,317)	5,587,080	15,245,000	20,832,080	1,374,162
Sponsorships	455,000	-	455,000	526,300
Investment Income	291,322	-	291,322	66,405
In-Kind Contributions	142,336	-	142,336	101,959
Other Income	21,100	-	21,100	-
Write-Off of Uncollectible Pledges Receivable	-	(100,000)	(100,000)	(110,000)
Net Assets Released from: Time Restrictions	5,938,802	(5,938,802)	-	-
<b>TOTAL REVENUES, PUBLIC SUPPORT AND OTHER INCOME</b>	<b>14,861,765</b>	<b>9,721,198</b>	<b>24,582,963</b>	<b>8,229,951</b>
<b>FUNCTIONAL EXPENSES:</b>				
Program Services	10,736,622	-	10,736,622	22,076,437
Management and General	315,625	-	315,625	177,623
Fundraising	657,551	-	657,551	356,475
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>11,709,798</b>	<b>-</b>	<b>11,709,798</b>	<b>22,610,535</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,151,967</b>	<b>9,721,198</b>	<b>12,873,165</b>	<b>(14,380,584)</b>
Net Assets - Beginning of Year	9,205,062	8,288,256	17,493,318	31,873,902
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 12,357,029</b>	<b>\$ 18,009,454</b>	<b>\$ 30,366,483</b>	<b>\$ 17,493,318</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2017

With Summarized Totals for the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total Expenses	
				2017	2016
Research Grants	\$ 9,079,591	\$ -	\$ -	\$ 9,079,591	\$ 20,602,554
Personnel Costs	889,963	169,517	353,160	1,412,640	1,009,088
Travel and Entertainment	195,197	37,180	77,459	309,836	273,626
Other Expenses	193,286	36,817	76,700	306,803	224,324
Meetings and Conferences	158,385	30,169	62,851	251,405	208,055
Professional Fees	132,701	25,276	52,659	210,636	137,202
Occupancy	87,499	16,666	34,722	138,887	155,686
<b>TOTAL 2017</b>					
<b>FUNCTIONAL EXPENSES</b>	<u>\$ 10,736,622</u>	<u>\$ 315,625</u>	<u>\$ 657,551</u>	<u>\$ 11,709,798</u>	
	92%	3%	5%	100%	
<b>TOTAL 2016</b>					
<b>FUNCTIONAL EXPENSES</b>	<u>\$ 22,076,437</u>	<u>\$ 177,623</u>	<u>\$ 356,475</u>		<u>\$ 22,610,535</u>
	98%	1%	1%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

**MELANOMA RESEARCH ALLIANCE FOUNDATION**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2017

With Summarized Totals for the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 12,873,165	\$ (14,380,584)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	3,579	25,721
Write-Off of Uncollectible Pledges Receivable	100,000	110,000
Change in Present Value Discount - Contributions Receivable	176,718	(15,549)
Change in Present Value Discount - Grants Payable	137,245	(239,523)
Net Realized and Unrealized Gains on Investments	(130,523)	-
(Increase) Decrease in:		
Contributions Receivable	(9,997,916)	2,237,814
Due from Affiliate	1,260	(1,260)
Prepaid Expenses and Other Assets	(41,439)	9,687
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	62,836	(389,536)
Grants Payable	(1,493,631)	13,193,471
Deferred Revenue	(52,760)	(155,000)
Due to Affiliate	16,744	(41,569)
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	1,655,278	353,672
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Purchase of Investments	(20,422,894)	-
Sale of Investments	10,422,085	-
Reinvested Interest and Dividends	(88,225)	-
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(10,089,034)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(8,433,756)	353,672
Cash and Cash Equivalents - Beginning of Year	<hr/>	<hr/>
	22,555,754	22,202,082
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 14,121,998</u>	<u>\$ 22,555,754</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### 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.



# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### 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 \$18,009,454 of temporarily restricted net assets at December 31, 2017.
- **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, 2017.

#### (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, 2017 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) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of these investments is determined based on the closing price on the last business day of the fiscal year. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are made according to the investment policies, guidelines, and objectives adopted by MRA's Board of Directors.

#### (e) 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. Discount rates from 0.75% to 2.5% have been used to calculate the present value discount of contributions receivable, which amounted to \$253,697 at December 31, 2017. At December 31, 2017, all contributions receivable are considered fully collectible; therefore, no allowance for doubtful pledges has been established.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### (g) 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, 2017.

#### (h) 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, 2017 totaled \$142,336.

#### (i) 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 recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. At December 31, 2017, a discount rate of 3% was applied to grants payable due beyond one year.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(j) INCOME TAXES**

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

#### **(k) 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.

#### **(l) 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.

#### **(m) 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, 2016 from which the summarized financial information was derived.

#### **(n) NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions and various other narrow aspects, as identified and addressed in such updates. For MRA, the ASU and subsequent amendments will be effective for the year ending December 31, 2019.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For MRA, the ASU will be effective for the year ending December 31, 2018.

#### (o) SUBSEQUENT EVENTS

MRA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 23, 2018, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

### NOTE 3 - INVESTMENTS

MRA has implemented the fair value accounting standard. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about MRA's assets that are measured at fair value on a recurring basis at December 31, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	\$ 6,025,386	\$ 6,025,386	\$ -	\$ -
Exchange-Traded Funds:				
Equities	1,429,432	1,429,432	-	-
Bonds	1,379,022	1,379,022	-	-
Fixed Income Mutual Funds	1,385,717	1,385,717	-	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 10,219,557</b>	<b>\$ 10,219,557</b>	<b>\$ -</b>	<b>\$ -</b>

The fair values of exchange-traded funds and mutual funds within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE 3 - INVESTMENTS (continued)

MRA recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and Level 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and Level 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended December 31, 2017.

Investment income for the year ended December 31, 2017 consists of the following:

Interest and Dividends	\$	160,799
Net Realized and Unrealized Gains		<u>130,523</u>
<b>INVESTMENT INCOME</b>	\$	<u><u>291,322</u></u>

### NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2017 are expected to be collected as follows:

Within One Year	\$	6,763,671
In One to Four Years		<u>11,499,480</u>
<b>TOTAL</b>		18,263,151
Less: Present Value Discount		<u>(253,697)</u>
<b>CONTRIBUTIONS RECEIVABLE (NET)</b>	\$	<u><u>18,009,454</u></u>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consist of the following:

Computer Equipment and Software	\$	101,179
Less: Accumulated Depreciation		<u>(101,179)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	\$	<u><u>-</u></u>

Depreciation expense for the year ended December 31, 2017 was \$3,579.

### NOTE 6 - GRANTS PAYABLE

Grants payable at December 31, 2017 is expected to be paid as follows:

To be Paid During 2018	\$	8,448,336
To be Paid During 2019		<u>3,502,253</u>
<b>TOTAL</b>		11,950,589
Less: Present Value Discount		<u>(102,008)</u>
<b>GRANTS PAYABLE (NET)</b>	\$	<u><u>11,848,581</u></u>

# MELANOMA RESEARCH ALLIANCE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 consist of the following:

Time Restricted	<u>\$ 18,009,454</u>
<b><i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i></b>	<b><u>\$ 18,009,454</u></b>

### NOTE 8 - 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. At December 31, 2017 \$16,744 was due to the Institute.

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 3% 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, 2017 was \$25,005.

MRA sub-leases office space and equipment from the 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, 2017 amounted to \$131,541.