MELANOMA RESEARCH ALLIANCE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

August 22, 2019
Los Angeles, California

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2018
With Summarized Totals at December 31, 2017

	2018			
ASSETS:	Without Donor Restrictions	With Donor Restrictions	Total	Total 2017
Cash and Cash Equivalents	$ 13,299,317	$ -	$ 13,299,317	$ 14,121,998
Investments	10,187,383	-	10,187,383	10,219,557
Contributions Receivable (Net)	-	13,734,662	13,734,662	18,009,454
Prepaid Expenses and Other Assets	51,403	-	51,403	75,043
TOTAL ASSETS	$ 23,538,103	$ 13,734,662	$ 37,272,765	$ 42,426,052
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 65,314	$ -	$ 65,314	$ 137,004
Grants Payable (Net)	17,294,177	-	17,294,177	11,848,581
Deferred Revenue	280,000	-	280,000	57,240
Due to Affiliate	109,159	-	109,159	16,744
TOTAL LIABILITIES	17,748,650	-	17,748,650	12,059,569
NET ASSETS:				
Without Donor Restrictions	5,789,453	-	5,789,453	12,357,029
With Donor Restrictions	-	13,734,662	13,734,662	18,009,454
TOTAL NET ASSETS	5,789,453	13,734,662	19,524,115	30,366,483
TOTAL LIABILITIES AND NET ASSETS	$ 23,538,103	$ 13,734,662	$ 37,272,765	$ 42,426,052

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended December 31, 2018
With Summarized Totals for the Year Ended December 31, 2017

	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	Total 2017
REVENUES, PUBLIC SUPPORT AND OTHER INCOME:				
Contributions	$ 2,156,487	$ 766,969	$ 2,923,456	$ 2,962,225
Special Events (Net of Cost of Direct Donor Benefits of $174,199)	2,038,435	-	2,038,435	20,832,080
Sponsorships	514,710	-	514,710	455,000
Investment Return (Net)	114,094	-	114,094	291,322
In-Kind Contributions	-	-	-	142,336
Write-Off of Uncollectible Pledges Receivable	-	(28,091)	(28,091)	(100,000)
Net Assets Released from:				
Time Restrictions	5,013,670	(5,013,670)	-	-
TOTAL REVENUES, PUBLIC SUPPORT AND OTHER INCOME	9,837,396	(4,274,792)	5,562,604	24,582,963
FUNCTIONAL EXPENSES:				
Program Services	15,516,723	-	15,516,723	10,736,622
Management and General	346,024	-	346,024	315,625
Fundraising	542,225	-	542,225	657,551
TOTAL FUNCTIONAL EXPENSES	16,404,972	-	16,404,972	11,709,798
CHANGE IN NET ASSETS	(6,567,576)	(4,274,792)	(10,842,368)	12,873,165
Net Assets - Beginning of Year	12,357,029	18,009,454	30,366,483	17,493,318
NET ASSETS - END OF YEAR	$ 5,789,453	$ 13,734,662	$ 19,524,115	$ 30,366,483

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018
With Summarized Totals for the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total Expenses 2018	Total Expenses 2017
Research Grants	$ 13,525,762	$ -	$ -	$ 13,525,762	$ 9,079,591
Personnel Costs	969,078	174,752	444,823	1,588,653	1,412,640
Other Expenses	253,313	68,593	32,225	354,131	306,803
Travel and Entertainment	314,460	12,993	23,034	350,487	309,836
Meetings and Conferences	263,652	12,532	1,024	277,208	251,405
Professional Fees	102,059	61,213	542	163,814	210,636
Occupancy	88,399	15,941	40,577	144,917	138,887
TOTAL 2018 FUNCTIONAL EXPENSES	$ 15,516,723	$ 346,024	$ 542,225	$ 16,404,972	
	95%	2%	3%	100%	
TOTAL 2017 FUNCTIONAL EXPENSES	$ 10,736,622	$ 315,625	$ 657,551		$ 11,709,798
	92%	3%	5%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

MELANOMA RESEARCH ALLIANCE FOUNDATION

STATEMENT OF CASH FLOWS
Year Ended December 31, 2018
With Summarized Totals for the Year Ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (10,842,368)	$ 12,873,165
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used in) Operating Activities:		
Depreciation	-	3,579
Write-Off of Uncollectible Pledges Receivable	28,091	100,000
Change in Present Value Discount - Contributions Receivable	216,123	176,718
Change in Present Value Discount - Grants Payable	(28,049)	137,245
Net Realized and Unrealized (Gains) Losses on Investments	253,488	(130,523)
(Increase) Decrease in:		
Contributions Receivable	4,030,578	(9,997,916)
Due from Affiliate	-	1,260
Prepaid Expenses and Other Assets	23,640	(41,439)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(71,690)	62,836
Grants Payable	5,473,645	(1,493,631)
Deferred Revenue	222,760	(52,760)
Due to Affiliate	92,415	16,744
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(601,367)	1,655,278
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of Investments	(422,725)	(20,422,894)
Sale of Investments	407,557	10,422,085
Reinvested Interest and Dividends	(206,146)	(88,225)
NET CASH USED IN INVESTING ACTIVITIES	(221,314)	(10,089,034)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(822,681)	(8,433,756)
Cash and Cash Equivalents - Beginning of Year	14,121,998	22,555,754
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,299,317	$ 14,121,998

The Accompanying Notes are an Integral Part of These Financial Statements

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.

(b) ACCOUNTING

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor restrictions. All of MRA's net assets without donor restrictions are available for general operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a stipulated purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All of MRA's net assets with donor restrictions are restricted by time at December 31, 2018.

(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, 2018 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 purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Investments are made according to the investment policies, guidelines, and objectives adopted by MRA's Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at fair value using present value techniques. A discount rate of 3.0% has been used to calculate the present value discount on contributions receivable, which amounted to $469,820 at December 31, 2018. We determine the allowance for uncollectable promises to give based on historical experience with the respective donors and a review of subsequent collections. At December 31, 2018, all contributions receivable are considered fully collectible; therefore, no allowance for doubtful contributions receivable has been established.

(f) REVENUE RECOGNITION AND DEFERRED REVENUE

Contributions. Unconditional contributions, including pledges recorded at fair value, are recognized as revenues in the period received. 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.

(g) GRANTS

Grants are charged against operations when authorized by the Board of Directors, approved by the Chief Executive Officer and executed by grantee showing agreement to MRA grant terms. 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, 2018, a discount rate of 3% was applied to grants payable due beyond one year.

(h) INCOME TAXES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing MRA's research 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.

(j) 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.

(k) 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 ending December 31, 2017 from which the summarized financial information was derived.

(l) RECLASSIFICATION

For comparability, certain December 31, 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at December 31, 2018.

(m) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. MRA implemented the ASU during the year ended December 31, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In May 2014, FASB issued 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.

In February 2016, FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For MRA, the ASU will be effective for the year ending December 31, 2020.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For MRA, the ASU will be effective for the year ending December 31, 2019.

(n) SUBSEQUENT EVENTS

MRA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 22, 2019, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year Ended December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 6,161,645	$ 6,161,645	$ -	$ -
Exchange-Traded Funds:				
Equities	1,162,587	1,162,587	-	-
Bonds	1,255,479	1,255,479	-	-
Fixed Income Mutual Funds	1,607,672	1,607,672	-	-
TOTAL INVESTMENTS	$ 10,187,383	$ 10,187,383	$ -	$ -

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.

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 generally 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, 2018.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2018 are expected to be collected as follows:

Within One Year	$ 6,216,982
In One to Five Years	7,987,500
TOTAL	14,204,482
Less: Present Value Discount	(469,820)
CONTRIBUTIONS RECEIVABLE (NET)	$ 13,734,662

NOTE 5 - GRANTS PAYABLE

Grants payable at December 31, 2018 is expected to be paid as follows:

To be Paid within One Year	$ 10,945,996
To be Paid in One to Five Years	6,478,238
TOTAL	17,424,234
Less: Present Value Discount	(130,057)
GRANTS PAYABLE (NET)	$ 17,294,177

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. At December 31, 2018 $109,159 was due to the Institute. The balance is unsecured, noninterest bearing and expected to be settled within ordinary course of business.

The Institute administers a defined contribution pension plan, which is qualified under Section 403(b) of the Internal Revenue Code. The plan covers 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, 2018 was $33,236.

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, 2018 amounted to $139,824.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by MRA at December 31, 2018 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2018	
Cash and Cash Equivalents	$ 13,299,317
Investments	10,187,383
Contributions Receivable (Net)	13,734,662
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2018	37,221,362
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Pledges Restricted by Time	(7,517,680)
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ 29,703,682

MRA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of MRA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

MRA has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and contributions receivable. For purposes of analyzing resources available to meet general expenditures over a 12-month period, MRA considers pledges restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

MRA's investments consist of cash and cash equivalents and various mutual and exchange-traded funds. All of the investments are highly liquid and available to be used for general expenditures as necessary.