

ZERO - The End of Prostate Cancer

Financial Statements
and Independent Auditors' Report

December 31, 2018 and 2017

ZERO - The End of Prostate Cancer

Financial Statements
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ZERO - The End of Prostate Cancer

We have audited the accompanying financial statements of ZERO - The End of Prostate Cancer ("ZERO"), which comprise the statements of financial position as of December 31, 2018 and 2017; the related statements of activities, functional expenses, and cash flows 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 controls 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 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 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 ZERO as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, and the rest of the text is in a cursive-like script.

Vienna, Virginia
July 2, 2019

ZERO - The End of Prostate Cancer

Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 249,112	\$ 979,472
Contributions receivable, current portion	150,289	131,020
Short-term investments	2,857,662	1,396,621
Prepaid expenses	73,809	72,784
Employee receivable and other receivable	434	393
	<hr/>	<hr/>
Total current assets	3,331,306	2,580,290
Contributions receivable, long-term, net	-	55,410
Investments, long-term	80,755	-
Property and equipment, net	81,753	166,311
Security deposit	11,240	13,218
	<hr/>	<hr/>
Total assets	<u>\$ 3,505,054</u>	<u>\$ 2,815,229</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 180,386	\$ 146,249
Grants payable	1,098,816	713,341
	<hr/>	<hr/>
Total current liabilities	1,279,202	859,590
Deferred rent	103,040	101,557
Charitable gift annuities	4,102	5,126
	<hr/>	<hr/>
Total liabilities	<u>1,386,344</u>	<u>966,273</u>
Net Assets		
Without donor restrictions	1,978,710	1,703,956
With donor restrictions	140,000	145,000
	<hr/>	<hr/>
Total net assets	<u>2,118,710</u>	<u>1,848,956</u>
Total liabilities and net assets	<u>\$ 3,505,054</u>	<u>\$ 2,815,229</u>

See accompanying notes.

ZERO - The End of Prostate Cancer

Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 5,750,432	\$ 80,000	\$ 5,830,432
In-kind contributions	542,852	-	542,852
Registration income	366,948	-	366,948
Special events	73,040	-	73,040
Net investment loss	(75,888)	-	(75,888)
Merchandise sales	150	-	150
Net assets released from restrictions	85,000	(85,000)	-
Total revenue and support	6,742,534	(5,000)	6,737,534
Expenses			
Program services:			
Patient support	394,874	-	394,874
Education and awareness	3,928,307	-	3,928,307
Research	631,745	-	631,745
Advocacy	610,549	-	610,549
Total program services	5,565,475	-	5,565,475
Supporting services:			
Management and general	357,182	-	357,182
Fundraising	545,123	-	545,123
Total supporting services	902,305	-	902,305
Total expenses	6,467,780	-	6,467,780
Change in Net Assets	274,754	(5,000)	269,754
Net Assets, beginning of year	1,703,956	145,000	1,848,956
Net Assets, end of year	\$ 1,978,710	\$ 140,000	\$ 2,118,710

See accompanying notes.

ZERO - The End of Prostate Cancer

Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 4,410,738	\$ 205,000	\$ 4,615,738
In-kind contributions	440,004	-	440,004
Registration income	287,813	-	287,813
Net investment income	148,101	-	148,101
Merchandise sales	797	-	797
Net assets released from restrictions	111,472	(111,472)	-
Total revenue and support	5,398,925	93,528	5,492,453
Expenses			
Program services:			
Patient support	168,009	-	168,009
Education and awareness	3,920,944	-	3,920,944
Research	46,600	-	46,600
Advocacy	480,461	-	480,461
Total program services	4,616,014	-	4,616,014
Supporting services:			
Management and general	319,963	-	319,963
Fundraising	485,236	-	485,236
Total supporting services	805,199	-	805,199
Total expenses	5,421,213	-	5,421,213
Change in Net Assets	(22,288)	93,528	71,240
Net Assets, beginning of year	1,726,244	51,472	1,777,716
Net Assets, end of year	\$ 1,703,956	\$ 145,000	\$ 1,848,956

See accompanying notes.

ZERO - The End of Prostate Cancer

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services					Supporting Services		Total Expenses
	Patient Support	Education and Awareness	Research	Advocacy	Total Program Services	Management and General	Fundraising	
Salaries	\$ 78,212	\$ 1,050,005	\$ -	\$ 227,778	\$ 1,355,995	\$ 211,473	\$ 294,707	\$ 1,862,175
Payroll taxes	5,345	78,798	-	15,589	99,732	13,371	16,063	129,166
Benefits	17,182	204,722	-	28,015	249,919	32,133	42,538	324,590
Consultants	117,482	311,317	-	151,234	580,033	4,312	756	585,101
Advertising and public relations	-	810,855	-	1,566	812,421	-	1,081	813,502
Printing and publications	720	70,692	-	6,094	77,506	1,004	36,156	114,666
Postage	445	37,888	-	1,608	39,941	1,783	26,748	68,472
Travel	126	125,603	-	119,703	245,432	12,221	9,738	267,391
Occupancy	7,220	105,242	-	21,028	133,490	19,928	21,667	175,085
Equipment and facilities rental	198	127,189	-	2,227	129,614	943	23,160	153,717
Licenses and permits	-	57,276	-	-	57,276	-	6,220	63,496
Entry fees	-	89,452	-	-	89,452	-	-	89,452
Insurance	410	14,618	-	1,194	16,222	952	1,231	18,405
Telephone service	943	13,749	-	2,987	17,679	2,229	2,831	22,739
Depreciation and amortization	4,324	63,033	-	12,595	79,952	10,034	12,977	102,963
Dues and state registration	504	47,003	-	14,167	61,674	19,721	34,767	116,162
Office supplies	884	15,537	-	2,707	19,128	3,636	2,824	25,588
Professional fees	100,434	160,912	-	-	261,346	21,192	-	282,538
Bank and credit card fees	375	117,320	-	1,852	119,547	870	11,448	131,865
Race timing	-	73,880	-	-	73,880	-	-	73,880
Medical supplies	-	15,096	-	-	15,096	-	-	15,096
Website and database management	70	2,013	-	205	2,288	1,281	211	3,780
Miscellaneous	-	75	-	-	75	99	-	174
Grants	60,000	336,032	631,745	-	1,027,777	-	-	1,027,777
Total Expenses	\$ 394,874	\$ 3,928,307	\$ 631,745	\$ 610,549	\$ 5,565,475	\$ 357,182	\$ 545,123	\$ 6,467,780

See accompanying notes.

ZERO - The End of Prostate Cancer

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services					Supporting Services		Total Expenses
	Patient Support	Education and Awareness	Research	Advocacy	Total Program Services	Management and General	Fundraising	
Salaries	\$ 36,382	\$ 1,185,831	\$ -	\$ 109,147	\$ 1,331,360	\$ 212,159	\$ 275,718	\$ 1,819,237
Payroll taxes	-	82,209	-	10,343	92,552	14,464	19,321	126,337
Benefits	5,067	178,066	-	15,201	198,334	25,903	39,835	264,072
Consultants	126,120	187,771	-	175,379	489,270	-	-	489,270
Advertising and public relations	110	749,999	-	1,939	752,048	281	3,476	755,805
Printing and publications	290	16,086	-	4,963	21,339	62	21,525	42,926
Postage	40	32,007	-	1,202	33,249	2,138	8,911	44,298
Travel	-	136,150	-	122,246	258,396	6,968	9,725	275,089
Occupancy	-	110,497	-	13,561	124,058	20,298	25,692	170,048
Equipment and facilities rental	-	131,734	-	850	132,584	1,239	2,639	136,462
Licenses and permits	-	2,458	-	6	2,464	9	11	2,484
Entry fees	-	120,063	-	-	120,063	-	-	120,063
Insurance	-	14,938	-	657	15,595	2,501	1,244	19,340
Telephone service	-	19,509	-	2,384	21,893	4,371	4,517	30,781
Depreciation and amortization	-	49,000	-	6,013	55,013	8,767	11,393	75,173
Dues and state registration	-	89,789	-	12,331	102,120	14,809	45,409	162,338
Office supplies	-	6,475	-	878	7,353	2,078	1,509	10,940
Professional fees	-	130,281	-	1,712	131,993	1,767	2,296	136,056
Bank and credit card fees	-	39,364	-	1,128	40,492	895	11,003	52,390
Race timing	-	66,964	-	-	66,964	-	-	66,964
Medical supplies	-	5,658	-	-	5,658	-	54	5,712
Medical testing expense	-	3,959	-	-	3,959	-	-	3,959
Website and database management	-	13,224	-	32	13,256	542	31	13,829
Miscellaneous	-	3,986	-	489	4,475	712	927	6,114
Grants	-	544,926	46,600	-	591,526	-	-	591,526
Total Expenses	\$ 168,009	\$ 3,920,944	\$ 46,600	\$ 480,461	\$ 4,616,014	\$ 319,963	\$ 485,236	\$ 5,421,213

See accompanying notes.

ZERO - The End of Prostate Cancer

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 269,754	\$ 71,240
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain)	110,723	(127,650)
Donated securities	(91,048)	-
Depreciation and amortization	102,963	75,173
Change in discount on contributions receivable	(4,590)	4,590
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	40,731	(110,667)
Prepaid expenses	(1,025)	26,384
Employee receivable and other receivable	(41)	285
Security deposit	1,978	-
Increase (decrease) in:		
Accounts payable and accrued expenses	34,137	(176,273)
Grants payable	385,475	151,862
Deferred rent	1,483	5,694
Charitable gift annuities	(1,024)	(1,024)
Net cash provided by (used in) operating activities	849,516	(80,386)
Cash Flows from Investing Activities		
Purchases of property and equipment	(18,405)	(11,474)
Purchases of investments	(2,175,262)	(743,850)
Proceeds from sales of investments	613,791	723,716
Net cash used in investing activities	(1,579,876)	(31,608)
Net Decrease in Cash and Cash Equivalents	(730,360)	(111,994)
Cash and Cash Equivalents, beginning of year	979,472	1,091,466
Cash and Cash Equivalents, end of year	\$ 249,112	\$ 979,472

See accompanying notes.

ZERO - The End of Prostate Cancer

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations

Zero - The End of Prostate Cancer (“ZERO”) was formerly known as ZERO - The Project to End Prostate Cancer before changing its name on June 6, 2012. Prior to that date, ZERO had been known since May 8, 2008 as National Prostate Cancer Coalition Fund (NPCCF). NPCCF, incorporated under the laws of the District of Columbia on July 7, 1998, was the surviving organization from a merger on December 21, 1998 between NPCCF and National Prostate Cancer Coalition, Inc. (NPCCI), an organization incorporated under the laws of the state of Florida on September 6, 1996.

ZERO’s activities and programs are created to advance research, encourage action, provide patient support, and promote education and awareness of prostate cancer. Programs are funded primarily through contributions from individuals, foundations, and corporations.

Program Description

ZERO is the leading national nonprofit with the mission to end prostate cancer. ZERO advances research, improves the lives of men and families, and inspires action. ZERO is building Generation ZERO, the first generation of men free from prostate cancer, through its national run/walk series, education and patient support programs, and grassroots advocacy. ZERO is a 501(c)(3) philanthropic organization, ranked four stars by Charity Navigator and accredited by the Better Business Bureau, with regional chapters across the country. For more information, visit www.zerocancer.org.

ZERO’s patient support programs help men navigate their diagnosis and treatment options with a free, customized service that connects them with the resources they need including financial assistance and emotional support. ZERO also provides comprehensive treatment and education information to patients and their families throughout their prostate cancer journeys via ZERO’s website and robust social media, webinars, and widely distributed videos and printed materials. ZERO’s national platform of events, including the ZERO Prostate Cancer Run/Walk series, the Team ZERO endurance program, and the ZERO Prostate Cancer Summit, is activating the prostate cancer community and increasing research funding while raising awareness and protecting access to care.

ZERO - The End of Prostate Cancer

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

ZERO's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the statements of cash flows, ZERO considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held in investment portfolios, which are included in investments in the accompanying statements of financial position.

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Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable primarily consist of pledges from corporations, foundations, and individuals. Management expects all contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If management determines the receivable to be uncollectable, it is directly charged off at that time.

All contributions receivable at December 31, 2018 and 2017 are reflected at either net realizable value or at net present value based on projected cash flows. When contributions are receivable beyond one year, ZERO's policy is to discount those receivables to net present value. Amounts receivable in more than one year initially recorded in the year ended December 31, 2017 were discounted at an average annual rate of 2.64%, using a rate that considers market and credit risk. All receivables at December 31, 2018 were due within one year.

Investments

Investments consist of money market funds, fixed income bonds, mutual funds and alternative investments, including hedge funds and an investment in a privately held investment. Investments in marketable securities are recorded at fair value based on quoted market prices.

The investment in privately held corporation has no readily-determinable market value and is valued at fair value as estimated by the general partners and corporations. Because of inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used as ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with concentrations of investments in one geographic region and in certain industries. The privately held corporation's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the corporation may own a relatively large portion of the issuers' equity securities.

All realized and unrealized gains and losses and investment management fees are reported as a component of net investment (loss) income in the accompanying statements of activities.

ZERO - The End of Prostate Cancer

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

ZERO capitalizes all property and equipment acquisitions of \$1,000 and above. Property and equipment are carried at cost, if purchased, or fair value at date of donation, if contributed. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Expenditures for maintenance and repairs are charged to expenses as incurred.

Charitable Gift Annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions.

Revenue Recognition

All contributions to ZERO are considered to be available for unrestricted use unless specifically restricted by the donor. ZERO reports contributions as 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from registrations and special events is generally recognized as earned in the period in which the events take place or the service is provided. Registrations that are applicable to the following year are included in deferred revenue in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

In-kind contributions consist primarily of advertising, legal fees, promotional items, and meals. These donations are utilized in ZERO's programmatic activities and are recorded at their fair value at the time of donation.

ZERO - The End of Prostate Cancer

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Expenses are allocated among the programs and support services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function.

Advertising Expense

ZERO expenses advertising costs as incurred. ZERO spent \$527,201 and \$421,757 on advertising during the years ended December 31, 2018 and 2017, respectively, of which \$457,800 and \$356,500 was donated, respectively.

Allocation of Joint Costs

For the years ended December 31, 2018 and 2017, ZERO did not incur any joint costs for program event activities.

Adopted Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ZERO has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for liquidity and availability, which is permitted by the ASU in the year of adoption. The implementation had no impact on previously reported net assets.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In May 2014, the FASB issued ASU 2014-09 – *Revenue from Contracts with Customers* (Topic 606). The update establishes a comprehensive revenue recognition standard for virtually all industries including those that previously followed industry-specific guidance. The update requires that revenue be recognized to depict the transfer of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for these goods and services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606) – *Deferral of the Effective Date*, which deferred the effective date for one year. The guidance is effective beginning in 2019.

Subsequent Events

In preparing these financial statements, ZERO has evaluated events and transactions for potential recognition or disclosure through July 2, 2019, the date the financial statements were available to be issued.

3. Liquidity and Availability

ZERO has \$3,257,063 of financial assets available within one year of the statement of financial position date. ZERO strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews ZERO's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Amounts in excess of operating liquidity are invested in various short-term and highly liquid securities. ZERO considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The financial assets that are available for general expenditures within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 249,112
Contributions receivable — current portion	150,289
Short-term investments	<u>2,857,662</u>
Total available for general expenditures	<u>\$ 3,257,063</u>

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4. Concentration of Credit Risk

ZERO maintains cash and cash equivalents, and investments at financial institutions in the Washington, DC metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). At times, deposits may exceed federally insured limits. Management believes the risk in these situations to be minimal.

5. Chapters

ZERO has 4 regional Chapters (“the Chapters”) that were established to carry on continuing activities in support of ZERO’s mission in the regions outside the Washington, DC metro area, including efforts on runs/walks within each of the Chapters’ geographical regions, and also cultivating education and awareness events within their regions. The Chapters cover four regions, and include the West Coast Chapter, Mid-Atlantic Chapter, Midwest Chapter, and Texas Chapter. The Chapters are related, controlled entities that are not included in the accompanying financial statements as their operations are immaterial to ZERO. Net assets of all Chapters totaled \$0 at both December 31, 2018 and 2017.

6. Contributions Receivable

Contributions receivable are promised as follows at December 31:

	2018	2017
Receivable in less than one year	\$ 150,289	\$ 131,020
Receivable in one to five years	-	60,000
Total contributions receivable	150,289	191,020
Less: discount to net present value	-	(4,590)
Contributions receivable, net	<u>\$ 150,289</u>	<u>\$ 186,430</u>

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Notes to Financial Statements
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7. Investments and Fair Value Measurements

ZERO follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

ZERO recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Level 1 Investments

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 assets include money market funds, fixed income securities, bonds, and mutual funds held as investments.

Level 2 Investments

When quoted market prices for similar assets are available in markets that are not active, securities are classified within Level 2 of the valuation hierarchy. Level 2 includes hedge funds held as alternative investments. The hedge funds are measured in quantifiable units at quoted market prices on a monthly basis by the broker, and the broker's pricing methodology is assessed when determining the fair value hierarchy. Due to the frequency of the availability of market quotations, the hedge funds are categorized as Level 2 in the valuation hierarchy.

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Notes to Financial Statements
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7. Investments and Fair Value Measurements (continued)

Level 3 Investments

In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Level 3 consists of an investment in a corporation, where ZERO has less than 0.5% ownership of voting interest. Investment in private company stock is determined using techniques consistent with both the market and income approaches, based on the estimates and assumptions in the absence of observable market data. The market approach considers comparable companies, comparable transactions, and company-specific information, including, but not limited to, restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers and acquisitions, and the current financial position and operating results. The income approach considers the projected operating performance of the portfolio company. The value of these assets is based on unobservable inputs and ZERO's own assumptions, and is therefore classified within Level 3.

The following table presents ZERO's fair value hierarchy for those assets measured on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	Total fair value
Money market funds	\$ 30,165	\$ -	\$ -	\$ 30,165
Fixed income bonds:				
U.S. fixed income	1,965,368	-	-	1,965,368
Non-U.S. fixed income	111,423	-	-	111,423
Mutual funds:				
Large cap	434,457	-	-	434,457
Equities	259,012	-	-	259,012
Alternative investments:				
Hedge funds	-	57,237	-	57,237
Privately held investment	-	-	80,755	80,755
Total investments	<u>\$ 2,800,425</u>	<u>\$ 57,237</u>	<u>\$ 80,755</u>	<u>\$ 2,938,417</u>

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7. Investments and Fair Value Measurements (continued)

The following table presents ZERO's fair value hierarchy for those assets measured on a recurring basis at December 31, 2017:

	Level 1	Level 2	Level 3	Total fair value
Money market funds	\$ 518,065	\$ -	\$ -	\$ 518,065
Fixed income bonds:				
U.S. fixed income	400,425	-	-	400,425
Non-U.S. fixed income	98,466	-	-	98,466
Global fixed income	19,112	-	-	19,112
Mutual funds:				
Large cap	132,968	-	-	132,968
Equities	121,014	-	-	121,014
Alternative investments:				
Hedge funds	-	106,571	-	106,571
Total investments	\$ 1,290,050	\$ 106,571	\$ -	\$ 1,396,621

The following table presents ZERO's activity for its investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Privately Held Investment
Balance, December 31, 2017	\$ -
Donated stock	80,755
Balance, December 31, 2018	<u>\$ 80,755</u>

ZERO received the capital stock in the privately held investment during 2018. From the date of donation through the end of the year, there were no valuations and no adjustments to the donated value; therefore, there is no investment income or earnings associated with the privately held investment during the year ended December 31, 2018.

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7. Investments and Fair Value Measurements (continued)

Net investment (loss) income consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 42,948	\$ 27,774
Net realized and unrealized (loss) gain	(110,723)	127,650
Investment management fees	<u>(8,113)</u>	<u>(7,323)</u>
Total investment (loss) income, net	<u>\$ (75,888)</u>	<u>\$ 148,101</u>

8. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Database	\$ 150,978	\$ 150,978
Furniture and equipment	101,989	88,666
Website	<u>156,545</u>	<u>156,545</u>
Total property and equipment	409,512	396,189
Less: accumulated depreciation and amortization	<u>(327,759)</u>	<u>(229,878)</u>
Property and equipment, net	<u>\$ 81,753</u>	<u>\$ 166,311</u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31:

	<u>2018</u>	<u>2017</u>
Purpose restricted	\$ 60,000	\$ 25,000
Time restricted	<u>80,000</u>	<u>120,000</u>
Total net assets with donor restrictions	<u>\$ 140,000</u>	<u>\$ 145,000</u>

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9. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions were released from restrictions as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Purpose restricted	\$ 60,000	\$ 51,472
Time restricted	<u>25,000</u>	<u>60,000</u>
Total net assets released from restrictions	<u>\$ 85,000</u>	<u>\$ 111,472</u>

10. Commitments and Contingencies

Operating Leases

ZERO entered into an operating lease for office space, which commenced on August 5, 2009 and was scheduled to expire on August 4, 2019. During the year ended December 31, 2015, ZERO entered into an amended lease with the same landlord for a new office space, which commenced on July 27, 2015 and expires July 31, 2025. The amended lease includes incentives and an annual escalation clause of 2.75%, as defined in the lease agreement. ZERO is responsible for its prorated share of real estate taxes and operating expenses. Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position.

In July 2015, ZERO entered into an operating lease agreement for office equipment. The lease required monthly payments of \$208 and expired in June 2018. The lease continues on a month-to-month basis under the same required monthly rental payments.

Subsequent to year-end in 2019, ZERO entered into a new operating lease agreement for additional office equipment. The lease term is 63 months and contains fixed quarterly rental payments of approximately \$784.

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10. Commitments and Contingencies (continued)

Operating Leases (continued)

Future minimum lease payments under all leases are as follows for the years ending December 31:

2019	\$	161,646
2020		166,091
2021		170,658
2022		175,352
2023		180,174
Thereafter		<u>294,833</u>
Total future minimum lease payments	\$	<u>1,148,754</u>

Occupancy expense was \$158,803 and \$170,048 for the years ended December 31, 2018 and 2017, respectively.

11. Line of Credit

ZERO has a secured line of credit (LOC) with a bank, initially expiring September 30, 2017. On March 16, 2017, the LOC was increased to \$1,000,000 and renewed through June 30, 2018. During 2018, the LOC was renewed through August 31, 2019. Under the terms of the agreement, ZERO may repay the LOC with interest at either the adjusted LIBOR rate plus 2.30% or a fixed rate per annum equal to the offered rate applicable to such LOC. The bank has a security interest in and a lien upon all marketable securities maintained by ZERO at the bank. There was no outstanding balance on the LOC at December 31, 2018 and 2017.

12. Retirement Plan

In 2005, ZERO adopted a Section 403(b) Retirement Plan (“the Plan”). All regular full-time and part-time employees who work seventeen-and-one-half (17.5) hours or more weekly are eligible to participate in the Plan through salary deferrals. Participation in the Plan begins on the first day of employment, and employees become eligible for employer matching contributions after attaining one year of service. Upon eligibility, participants are immediately vested in employer matching contributions.

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12. Retirement Plan (continued)

During the year ended December 31, 2015, ZERO began contributing 100% of the first 3% of compensation a participant contributes to the Plan and 50% of the next 2% of compensation a participant contributes to the Plan. The maximum annual employer contribution for a participant is 4% of a participant's annual salary. Total contribution expense was \$106,445 and \$52,274 for the years ended December 31, 2018 and 2017, respectively.

13. Consultants

Consultant expenses are allocated as follows for the years ended December 31:

	2018	2017
	<hr/>	<hr/>
Programs:		
Event management	\$ 297,634	\$ 182,705
Advocacy	155,500	199,749
Patient Support	121,590	105,556
Communications	750	1,260
Other	9,627	-
	<hr/>	<hr/>
Total consultant expenses	<u>\$ 585,101</u>	<u>\$ 489,270</u>

14. In-Kind Contributions

Donated Services

During the years ended December 31, 2018 and 2017, ZERO received donated advertising, legal, and other professional fees amounting to \$507,066 and \$386,649, respectively, which are included in in-kind contributions in the accompanying statements of activities.

Donated Goods

ZERO received promotional items, meals, and various gifts and giveaways for its race programs, which are recorded in the accompanying statements of activities at their estimated fair value at the date of receipt. Donated goods for the years ended December 31, 2018 and 2017 were \$35,786 and \$53,355, respectively.

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14. In-Kind Contributions (continued)

In-kind contributions consisted of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Advertising	\$ 457,800	\$ 356,500
Gifts and giveaways	4,261	14,149
Legal services	47,466	28,849
Race programs and special events	32,325	40,506
Medical services	<u>1,000</u>	<u>-</u>
Total in-kind contributions	<u>\$ 542,852</u>	<u>\$ 440,004</u>

15. Income Taxes

ZERO is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). ZERO is, however, subject to income taxes on any unrelated business income. In addition, the Internal Revenue Service has determined that ZERO is not a private foundation within the meaning of IRC Section 509(a).

Management has evaluated all tax positions and has concluded that ZERO has taken no uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.