

ONCOLOGY NURSING FOUNDATION
Pittsburgh, Pennsylvania

Financial Statements
For the years ended December 31, 2018 and 2017
and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers
Oncology Nursing Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the Oncology Nursing Foundation (ONF), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 ONF'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 ONF'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 ONF as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended December 31, 2018, ONF adopted Accounting Standards Update No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
August 7, 2019

ONCOLOGY NURSING FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,369,251	\$ 1,123,288
Investments - marketable securities	13,131,786	14,259,821
Accounts receivable:		
Contributions, net	116,591	196,554
Related party	39,199	19,275
	155,790	215,829
Other	68,728	69,171
Investment - related party	536,170	516,607
Office equipment, less accumulated depreciation of \$11,457 and \$32,919, respectively	46,719	28,898
 Total Assets	 \$ 15,308,444	 \$ 16,213,614
LIABILITIES		
Accounts payable:		
Trade payables and accrued expenses	\$ 45,605	\$ 55,121
Related party	93,311	38,078
 Total Liabilities	 138,916	 93,199
NET ASSETS		
Without donor restrictions	1,308,019	1,243,053
With donor restrictions	13,861,509	14,877,362
 Total Net Assets	 15,169,528	 16,120,415
 Total Liabilities And Net Assets	 \$ 15,308,444	 \$ 16,213,614

See notes to financial statements.

ONCOLOGY NURSING FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Gains:			
Contributions:			
General	\$ 430,987	-	\$ 430,987
Scholarships and grants	12,315	\$ 183,286	195,601
Related parties	-	153,500	153,500
Investment income (loss), net	16,287	(475,728)	(459,441)
Other income	83,265	-	83,265
	<u>542,854</u>	<u>(138,942)</u>	<u>403,912</u>
Net Assets Released From Restrictions	<u>876,911</u>	<u>(876,911)</u>	<u>-</u>
Total Revenues, Support, Gains And Other	1,419,765	(1,015,853)	403,912
Expenses and Losses:			
Program services:			
Education	686,478	-	686,478
Leadership	27,958	-	27,958
Research	257,660	-	257,660
Total Program Expenses	<u>972,096</u>	<u>-</u>	<u>972,096</u>
Supporting Services:			
General and administration	86,631	-	86,631
Fundraising	296,072	-	296,072
Total Support Services	<u>382,703</u>	<u>-</u>	<u>382,703</u>
Total Expenses And Losses	1,354,799	-	1,354,799
Changes In Net Assets	64,966	(1,015,853)	(950,887)
Beginning of the year	<u>1,243,053</u>	<u>14,877,362</u>	<u>16,120,415</u>
End of the year	<u>\$ 1,308,019</u>	<u>\$13,861,509</u>	<u>\$15,169,528</u>

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Gains:			
Contributions:			
General	\$ 369,358	\$ 56	\$ 369,414
Scholarships and grants	186,246	154,602	340,848
Related parties	72,859	10,970	83,829
Investment income, net	11,982	1,954,764	1,966,746
Other income	102,949	-	102,949
	<u>743,394</u>	<u>2,120,392</u>	<u>2,863,786</u>
Net Assets Released From Restrictions	<u>580,821</u>	<u>(580,821)</u>	<u>-</u>
Total Revenues, Support, Gains And Other	1,324,215	1,539,571	2,863,786
Expenses and Losses:			
Program services:			
Education	665,004	-	665,004
Leadership	43,782	-	43,782
Research	255,357	-	255,357
Total Program Expenses	<u>964,143</u>	<u>-</u>	<u>964,143</u>
Supporting Services:			
General and administration	98,119	-	98,119
Fundraising	273,370	-	273,370
Total Support Services	<u>371,489</u>	<u>-</u>	<u>371,489</u>
Total Expenses And Losses	1,335,632	-	1,335,632
Changes In Net Assets	(11,417)	1,539,571	1,528,154
Beginning of the year	<u>1,254,470</u>	<u>13,337,791</u>	<u>14,592,261</u>
End of the year	<u>\$ 1,243,053</u>	<u>\$14,877,362</u>	<u>\$16,120,415</u>

See notes to financial statements.

ONCOLOGY NURSING FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018			
	Program Services			
	Education	Leadership	Research	Total
Scholarships and grants	\$480,508	\$14,551	\$204,030	\$699,089
Salaries, taxes and benefits	146,858	9,790	39,162	195,810
General and administrative	16,533	1,102	4,409	22,044
Rent and utilities	21,790	1,453	5,811	29,054
Services and honorarium	3,365	-	-	3,365
Travel	229	-	-	229
Staff services	15,000	919	3,679	19,598
Postage and shipping	59	-	-	59
Printing	-	-	-	-
Depreciation	1,689	113	450	2,252
Miscellaneous	447	30	119	596
	\$686,478	\$27,958	\$257,660	\$972,096
	2017			
	Program Services			
	Education	Leadership	Research	Total
Scholarships and grants	\$424,835	\$29,342	\$197,234	\$651,411
Salaries, taxes and benefits	147,671	9,845	39,379	196,895
General and administrative	17,841	1,225	4,819	23,885
Rent and utilities	21,880	1,459	5,835	29,174
Services and honorarium	4,381	-	444	4,825
Travel	13,113	874	3,497	17,484
Staff services	33,408	913	3,654	37,975
Postage and shipping	13	-	-	13
Printing	5	-	-	5
Depreciation	1,219	81	325	1,625
Miscellaneous	638	43	170	851
	\$665,004	\$43,782	\$255,357	\$964,143

2018

General and Administration	Fundraising	Total Expenses
\$ 203	-	\$ 699,292
46,118	\$ 135,970	377,898
6,816	46,320	75,180
6,765	20,680	56,499
2,336	45,278	50,979
18,565	21,626	40,420
4,284	13,385	37,267
349	4,779	5,187
19	4,604	4,623
524	1,603	4,379
652	1,827	3,075
<u>\$86,631</u>	<u>\$ 296,072</u>	<u>\$1,354,799</u>

2017

General and Administration	Fundraising	Total Expenses
-	-	\$ 651,411
\$64,478	\$ 115,289	376,662
11,991	42,596	78,472
7,343	19,235	55,752
3,402	28,425	36,652
4,371	22,572	44,427
4,598	13,447	56,020
352	16,914	17,279
641	13,712	14,358
410	1,072	3,107
533	108	1,492
<u>\$98,119</u>	<u>\$ 273,370</u>	<u>\$1,335,632</u>

See notes to financial statements.

ONCOLOGY NURSING FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (950,887)	\$ 1,528,154
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,379	3,106
Net depreciation (appreciation) in fair value of investments	729,909	(1,698,503)
Income from related party	(19,563)	(16,089)
Contributions restricted for long-term purposes - endowment fund	-	(56)
Changes in assets and liabilities:		
Accounts receivable	60,039	(73,589)
Other assets	443	(19,492)
Accounts payable and accrued expenses	<u>45,717</u>	<u>(33,863)</u>
Net Cash Used In Operating Activities	<u>(129,963)</u>	<u>(310,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(10,586,668)	(12,022,068)
Proceeds from sale of marketable securities	10,984,794	11,708,436
Purchase of equipment	<u>(22,200)</u>	<u>(25,376)</u>
Net Cash Provided By (Used In) Investing Activities	<u>375,926</u>	<u>(339,008)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes - endowment fund	<u>-</u>	<u>56</u>
Net Increase (Decrease) In Cash And Cash Equivalents	245,963	(649,284)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,123,288</u>	<u>1,772,572</u>
End of year	<u><u>\$ 1,369,251</u></u>	<u><u>\$ 1,123,288</u></u>

See notes to financial statements.

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION

Oncology Nursing Foundation (ONF), which changed its name from ONS Foundation during 2018, was established in 1982 and is a national, public, nonprofit organization whose purpose is to improve cancer care and promote excellence in oncology nursing through academic and continuing education, nurse-directed educational projects and research.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The financial statements of ONF have been prepared on the accrual basis of accounting. Net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ONF and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that may or will be met either by actions of ONF and/or passage of time, or that are to be maintained in perpetuity by ONF. Generally, the donors of these assets that are to be maintained in perpetuity permit ONF to use all or part of the income earned on related investments for general or specific purposes.

Support that is restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or 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 statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - ONF considers highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. ONF maintains, at one financial institution, cash that might exceed federally insured amounts at times.

Contributions and Contributions Receivable - Contributions pledged or received are recorded as net assets with or without donor restrictions, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. These receivables are due primarily within one year.

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ONF provides an allowance for uncollectible promises to give, if necessary, based on management’s evaluation of the contributions receivable. The allowance for uncollectible promises to give was approximately \$3,000 for both years ending December 31, 2018 and 2017.

Investments and Investment Risks - Investments in marketable securities are carried at fair value as determined by quoted market prices. The change in unrealized appreciation or depreciation on investments is the difference between the excess of fair market value over the cost of the portfolio at the end of the current period and the difference at the end of the prior period. Realized gains on security transactions are the result of all gains and losses realized in the current period using the specific identification method. Investments received by gift are recorded at market value on the date of the donation.

Investments in marketable securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

Investment (loss) income at December 31 consists of the following:

	2018	2017
Interest and dividends	\$ 321,288	\$ 352,070
Net realized gains	844,105	467,486
Net unrealized (depreciation) appreciation	(1,574,014)	1,231,017
Investment Fees	(50,790)	(83,827)
	\$ (459,411)	\$ 1,966,746

ONF accounts for its investment in ONS Building Partnership, LP (Partnership) on the equity basis of accounting in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic Consolidations for nonprofit entities that have an ownership share in for-profit entities. (See Note 5.)

Fair Value Measurement - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ONF discloses the category of assets and liabilities measured at fair value into one of three different levels, depending on the assumptions (i.e., inputs) used in the valuation. The three levels of the fair value hierarchy are described as follows:

Level 1 - Valuations that reflect quoted prices for identical assets or liabilities in active markets.

Level 2 - Valuations that reflect:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 - Valuation are based upon unobservable inputs. Valuations reflect management's best estimate of what market participants would use in valuing the asset and liabilities at the measurement date.

Income Taxes - ONF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. Therefore, no provision for income taxes is made. ONF has not identified any material uncertain tax positions requiring accrual or disclosure in the financial statements. ONF is no longer subject to examinations by tax authorities in any major tax jurisdiction before 2015.

Endowment - ONF applies the Codification topic Presentation of Financial Statements for Not-for-Profit Entities as it relates to the presentation of endowment funds. A portion of ONF's net assets are donor-restricted endowment funds and are governed by the Commonwealth of Pennsylvania's Act 141, a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year. (See Note 7.)

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. ASU 2016-02 will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard leases (Topic 840). ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ONF is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08 Not-for-Profit Entities (Topic 958) (ASU 2018-08), which clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning net assets in the year the standard becomes effective. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. ONF is currently evaluating the impact that ASU 2018-08 will have on its financial statements and related disclosures.

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement - In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued No. ASU 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity financial performance and cash flows. The main provisions of ASU 2016-14 include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. ASU 2016-14 also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification. ONF has adopted the provisions of ASU 2016-14 on its financial statements in the current year. The adoption of ASU 2016-14 has been applied on a retrospective basis.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

Net Asset Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 1,243,053	-	\$ 1,243,053
Temporarily restricted	-	\$ 4,338,984	4,338,984
Permanently restricted	-	10,538,378	10,538,378
Total net assets	\$ <u>1,243,053</u>	\$ <u>14,877,362</u>	\$ <u>16,120,415</u>

Subsequent Events - Subsequent events are defined as events or transactions that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through August 7, 2019, the date on which the financial statements were available to be issued.

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESERVES

ONF regularly monitors funds required to meet its current operating needs and long-term objectives while being mindful of donor restricted assets. ONF maintains various sources available to draw upon to fund operating needs. These sources include, cash and cash equivalents, accounts receivable and marketable investments. Cash and accounts receivable fluctuate depending on operational cash flow and are intended to meet day-to-day liquidity needs. ONF holds marketable investments to meet its long-term objectives related to reinvesting in future programs and for donor restricted assets. If necessary, ONF can liquidate part of its investments, which are not subject to donor restrictions to satisfy short-term needs.

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESERVES (Continued)

The following table reflects ONF's financial assets as of December 31, and the financial assets that could readily be made available within one year to meet general expenditures.

Financial assets:	
Cash and cash equivalents	\$ 1,369,251
Accounts receivable, net	155,790
Investments - marketable securities	<u>13,131,786</u>
Total financial assets available within one year	14,656,827
Less - Amount not available to be used within one year:	
Net assets with donor restrictions	<u>13,861,509</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>795,318</u></u>

ONF is supported by both unrestricted and donor-restricted contributions. Because a donor's restriction requires resources to be used in a particular manner, or in a future period, ONF must maintain sufficient resources to meet those responsibilities to its donors. As part of ONF's liquidity management, it has a policy to segregate cash and cash equivalents to be available as expenditures and other obligations become due.

NOTE 4 - FAIR VALUE MEASUREMENT

The fair value of investments such as equity securities, mutual funds, real estate investment trusts and U.S. government bonds is based on quoted market prices in an active market for identical assets. The fair value of ONF's investments in corporate bonds utilized a market approach using primarily matrix pricing prepared by external pricing sources.

There have been no changes in the methodologies used at December 31, 2018 and 2017.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Further, although ONF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

The fair value of financial assets at December 31 is as follows:

	2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	\$ 4,084,111	-	-	\$ 4,084,111
Equity securities	3,676,754	-	-	3,676,754
Government bonds	2,804,031	-	-	2,804,031
Corporate bonds	-	\$ 2,049,830	-	2,049,830
Real estate investment trust	517,060	-	-	517,060
	<u>\$ 11,081,956</u>	<u>\$ 2,049,830</u>	<u>-</u>	<u>\$ 13,131,786</u>
2017				
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	\$ 4,533,734	-	-	\$ 4,355,994
Equity securities	4,919,811	-	-	4,919,811
Government bonds	2,355,994	-	-	2,144,251
Corporate bonds	-	\$ 2,168,235	-	2,168,235
Real estate investment trust	282,047	-	-	282,047
	<u>\$ 12,091,586</u>	<u>\$ 2,168,235</u>	<u>-</u>	<u>\$ 14,259,821</u>

NOTE 5 - RELATED-PARTY TRANSACTIONS

Oncology Nursing Society (ONS), Oncology Nursing Certification Corporation (ONCC), ONS:Edge, Inc. (ONS:Edge) and ONF are separate entities governed by their own boards of directors. The entities are affiliated by common interests and work closely together.

Related-party transactions and balances for the years ended December 31 are summarized as follows:

	2018	2017
Income:		
Contributions from:		
ONS	\$ 42,500	\$ 129,036
ONS:Edge	60,000	-
ONCC	51,000	51,200
Staff services fee received from:		
ONS	12,385	16,762
Total income	<u>\$ 165,885</u>	<u>\$ 196,998</u>

ONCOLOGY NURSING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 - RELATED-PARTY TRANSACTIONS (Continued)

	<u>2018</u>	<u>2017</u>
Expenses:		
Paid to ONS:		
Management fee	\$ 408,461	\$ 416,196
Grants	60,000	180,236
Staff service fee	36,631	56,020
Rent	<u>49,500</u>	<u>49,500</u>
Total expenses	\$ <u>554,592</u>	\$ <u>701,952</u>
Contributions receivable - related party	\$ <u>39,199</u>	\$ <u>19,275</u>
Accounts payable - related party	\$ <u>93,311</u>	\$ <u>38,078</u>

ONF has a 3.96% interest and has contributed an aggregate of \$191,432 to the Partnership. The Partnership owns the building and land for the headquarters of ONS and its affiliates. ONF and its affiliates are limited partners in the Partnership. The general partner of the Partnership is ONS Building, LLC (Building), of which ONS is the sole member. Building controls and manages the Partnership as general partner. The Partnership leases the entire building to ONS, which occupies a major portion of the building and subleases the remaining portions to related organizations and other tenants. A summary of ONF's equity investment in the Partnership at December 31, 2018 and 2017 is as follows:

Balance, January 1, 2017	\$ 500,518
Income from Partnership	<u>16,089</u>
Balance, December 31, 2017	516,607
Income from Partnership	<u>19,563</u>
Balance, December 31, 2018	\$ <u>536,170</u>

ONF leases commercial office space under an operating lease with ONS. The lease provides future minimum lease payments and additional rents calculated on the increase of certain operating costs over base amounts defined in the lease.

At December 31, 2018, future minimum lease payments under the lease, which expires in 2023, are \$210,375 (approximately \$49,500 annually for each of the next five years).

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NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are held for research grants, scholarships, sponsorships endowment income not yet appropriated for expenditure. Net assets with donor restrictions also include endowment funds to be held in perpetuity, the majority of the income from which is restricted for the oncology nursing leadership, information and research projects. Net assets with donor restrictions at December 31 consist of the following:

	2018	2017
Subject to expenditure for specified purpose:		
Grants, scholarships and sponsorships	\$ 1,375,926	\$ 1,214,614
Endowment spending	1,947,205	3,124,370
Perpetual in nature	10,538,378	10,538,378
	\$ 13,861,509	\$ 14,877,362

Net assets released from donor-imposed restrictions by incurring expenses satisfying the restricted purpose or release of accumulated gains according to the endowment spending policy during the years ended December 31 were as follows:

	2018	2017
Grants, scholarships and sponsorships	\$ 175,474	\$ 89,731
Endowment spending	701,437	491,090
	\$ 876,911	\$ 580,821

NOTE 7 - ENDOWMENT

ONF's endowment consists of various investment funds established primarily for leadership, information and research. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors (Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of ONF has elected to be governed by Act 141, a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board, in writing, must elect a spending rate of between 2% and 7%. This percentage is applied to the average market value of the investments at the end of the prior year. Average market value is based on a minimum three previous years. ONF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included in net assets with donor restrictions. ONF considers the following factors in making a determination to set a spending rate:

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NOTE 7 - ENDOWMENT (Continued)

1. Protecting the corpus of the endowment fund
2. Preserving the spending power of the assets
3. Obtaining maximum investment return with reasonable risk and operational consideration
4. Complying with applicable laws

The changes in donor-restricted endowment funds by net asset type for the year ended December 31, 2018 and 2017 are as follows:

Endowment net assets, December 31, 2016	\$	12,214,323
Investment return:		
Investment income		289,749
Net appreciation		1,665,015
		1,954,764
Contributions		56
Appropriation of endowment assets for expenditure		(491,090)
Endowment net assets, December 31, 2017		13,678,053
Investment return:		
Investment income		1,022,532
Net depreciation		(1,498,260)
		(475,728)
Appropriation of endowment assets for expenditure		(701,437)
Endowment net assets, December 31, 2018	\$	12,500,888

Return Objectives and Risk Parameters - ONF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that ONF must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results comparable to a balanced index fund consisting of 50% of the S&P 500 and 50% of the Barclays Aggregate Bond Index. ONF expects its endowment funds, over time, to provide an average rate of return consistent with the balanced index fund noted above. Actual returns in any given year can vary from this amount. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below corpus amounts, which must remain in perpetuity.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, ONF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ONF targets a diversified asset allocation that places a relatively equal emphasis on equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints. All investments are actively traded on open markets, and investment managers are specifically prohibited from alternative investments and those with companies that distribute carcinogenic products or tobacco products. Investment managers are also given guidelines to the percentage that can be committed to a particular investment and particular industry.

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NOTE 7 - ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy - In 2018 and 2017, the spendable return totaled approximately \$701,000 and \$491,000, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with ONF's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 8 - FUNCTIONAL EXPENSES

Expenses are summarized and categorized based upon their functional classification as either program or supporting expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. These expenses are allocated on a reasonable basis that is consistently applied. Expenses allocated include rent and utilities and depreciation, which are allocated on a square footage basis; and salaries and wages, which are allocated on the basis of time and effort.