



Children's Tumor Foundation, Inc.

**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CHILDREN’S TUMOR FOUNDATION, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors’ Report)**

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Children's Tumor Foundation, Inc.

We have audited the accompanying financial statements of the Children's Tumor Foundation, Inc., (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and 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 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 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 the Children's Tumor Foundation, Inc. as of December 31, 2019 and 2018, 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.

Marks Paneth LLP

New York, NY
August 4, 2020

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2I and 11)	\$ 8,026,594	\$ 3,129,093
Accounts receivable	56,336	-
Pledges and other receivables, net (Notes 2H and 4)	1,477,275	674,500
Investments (Notes 2J, 5 and 7)	9,182,468	7,679,708
Prepaid expenses and other	339,537	189,968
Security deposit	91,065	16,516
Property and equipment, net (Notes 2K and 6)	50,104	32,309
TOTAL ASSETS	\$ 19,223,379	\$ 11,722,094
LIABILITIES		
Accounts payable and accrued expenses	\$ 411,814	\$ 347,301
Grants payable (Notes 2M and 10)	925,196	650,295
Deferred rent and other liabilities (Note 2D)	2,240	16,386
Assets held in trust (Note 7)	195,800	195,800
TOTAL LIABILITIES	1,535,050	1,209,782
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS (Note 2B)		
Without donor restrictions (Notes 8 and 13B)	7,112,042	5,465,015
With donor restrictions (Note 13A)	10,576,287	5,047,297
TOTAL NET ASSETS	17,688,329	10,512,312
TOTAL LIABILITIES AND NET ASSETS	\$ 19,223,379	\$ 11,722,094

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
OPERATING SUPPORT AND REVENUE:						
Contributions - individuals (Note 2E)	\$ 3,087,017	\$ 7,319,610	\$ 10,406,627	\$ 5,330,558	\$ 1,601,607	\$ 6,932,165
Contributions - corporations and foundations (Note 2E)	3,060,293	1,072,439	4,132,732	2,099,568	1,065,835	3,165,403
Bequests (Notes 2G and 8)	878,802	-	878,802	581,164	-	581,164
Contributed goods and services (Note 2F)	23,581	-	23,581	51,337	-	51,337
Other income (Note 2M)	1,582,275	-	1,582,275	495,656	-	495,656
	<u>8,631,968</u>	<u>8,392,049</u>	<u>17,024,017</u>	<u>8,558,283</u>	<u>2,667,442</u>	<u>11,225,725</u>
Special event revenue:						
Special event revenue	780,795	-	780,795	1,371,526	-	1,371,526
Less: direct benefits to donors (Note 2N)	(107,115)	-	(107,115)	(164,020)	-	(164,020)
Special event revenue, net	<u>673,680</u>	<u>-</u>	<u>673,680</u>	<u>1,207,506</u>	<u>-</u>	<u>1,207,506</u>
Net assets released from restrictions (Notes 2B, 2E and 13A)	<u>2,863,059</u>	<u>(2,863,059)</u>	<u>-</u>	<u>2,330,130</u>	<u>(2,330,130)</u>	<u>-</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>12,168,707</u>	<u>5,528,990</u>	<u>17,697,697</u>	<u>12,095,919</u>	<u>337,312</u>	<u>12,433,231</u>
EXPENSES (Note 2C):						
Program services:						
Research and medical	6,751,592	-	6,751,592	8,045,453	-	8,045,453
Public education and patient support	2,691,715	-	2,691,715	2,517,210	-	2,517,210
Total program services	<u>9,443,307</u>	<u>-</u>	<u>9,443,307</u>	<u>10,562,663</u>	<u>-</u>	<u>10,562,663</u>
Supporting services:						
Management and general	946,277	-	946,277	1,086,755	-	1,086,755
Fundraising	877,648	-	877,648	842,082	-	842,082
Total supporting services	<u>1,823,925</u>	<u>-</u>	<u>1,823,925</u>	<u>1,928,837</u>	<u>-</u>	<u>1,928,837</u>
TOTAL EXPENSES	<u>11,267,232</u>	<u>-</u>	<u>11,267,232</u>	<u>12,491,500</u>	<u>-</u>	<u>12,491,500</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>901,475</u>	<u>5,528,990</u>	<u>6,430,465</u>	<u>(395,581)</u>	<u>337,312</u>	<u>(58,269)</u>
NON-OPERATING ACTIVITY:						
Investment activity (Note 5)	745,552	-	745,552	(128,565)	-	(128,565)
TOTAL NON-OPERATING ACTIVITY	<u>745,552</u>	<u>-</u>	<u>745,552</u>	<u>(128,565)</u>	<u>-</u>	<u>(128,565)</u>
CHANGE IN NET ASSETS	<u>1,647,027</u>	<u>5,528,990</u>	<u>7,176,017</u>	<u>(524,146)</u>	<u>337,312</u>	<u>(186,834)</u>
Net assets - beginning of year	<u>5,465,015</u>	<u>5,047,297</u>	<u>10,512,312</u>	<u>5,989,161</u>	<u>4,709,985</u>	<u>10,699,146</u>
NET ASSETS - END OF YEAR	<u>\$ 7,112,042</u>	<u>\$ 10,576,287</u>	<u>\$ 17,688,329</u>	<u>\$ 5,465,015</u>	<u>\$ 5,047,297</u>	<u>\$ 10,512,312</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Program Services			Supporting Services			Total 2019	Total 2018
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Supporting Services		
Salaries and Related Costs:								
Salaries	\$ 1,558,174	\$ 1,131,572	\$ 2,689,746	\$ 332,641	\$ 355,239	\$ 687,880	\$ 3,377,626	\$ 3,386,801
Payroll taxes and employee benefits (Note 9)	291,517	247,013	538,530	92,029	77,331	169,360	707,890	698,735
Total Salaries and Related Costs	1,849,691	1,378,585	3,228,276	424,670	432,570	857,240	4,085,516	4,085,536
Grants (Notes 2M and 10)	3,304,234	-	3,304,234	-	-	-	3,304,234	4,714,730
Advocacy	270,000	-	270,000	-	-	-	270,000	270,000
Rent (Note 12A)	117,735	74,631	192,366	74,631	37,316	111,947	304,313	360,173
Printing	48,762	67,994	116,756	7,682	20,811	28,493	145,249	173,347
Postage and shipping	37,834	72,143	109,977	25,108	24,843	49,951	159,928	139,980
Supplies	13,235	15,849	29,084	3,108	8,057	11,165	40,249	23,408
Travel	70,329	80,941	151,270	12,374	21,047	33,421	184,691	184,459
Conference, meetings and events	241,023	333,514	574,537	41,340	105,518	146,858	721,395	875,104
Camp expenses	-	149,750	149,750	-	-	-	149,750	133,850
Insurance	6,414	8,020	14,434	7,654	3,934	11,588	26,022	24,379
Information technology	83,631	88,927	172,558	55,430	38,814	94,244	266,802	226,801
Professional fees	271,808	139,981	411,789	82,546	90,207	172,753	584,542	417,612
Dues and other fees	82,566	69,757	152,323	62,391	32,406	94,797	247,120	257,222
Food and beverage	303,577	115,568	419,145	14,471	23,882	38,353	457,498	234,938
Telephone	8,359	10,250	18,609	9,794	5,314	15,108	33,717	34,773
Equipment rental and maintenance	5,087	6,105	11,192	6,105	3,052	9,157	20,349	23,132
Recruitments	-	-	-	34,095	-	34,095	34,095	635
Advertising (Note 2L)	380	870	1,250	178	235	413	1,663	4,783
Promotional apparel	23,089	60,840	83,929	12,665	20,384	33,049	116,978	31,807
Bad debt (Note 2H)	-	-	-	4,137	-	4,137	4,137	165,400
Miscellaneous	4,942	7,315	12,257	57,223	3,920	61,143	73,400	9,671
Depreciation and amortization (Note 6)	8,896	10,675	19,571	10,675	5,338	16,013	35,584	99,760
TOTAL EXPENSES	\$ 6,751,592	\$ 2,691,715	\$ 9,443,307	\$ 946,277	\$ 877,648	\$ 1,823,925	\$ 11,267,232	\$ 12,491,500

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	For the Year Ended December 31, 2018						
	Program Services			Supporting Services			
	Research and Medical	Public Education and Patient Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018
Salaries and Related Costs:							
Salaries	\$ 1,584,349	\$ 1,071,049	\$ 2,655,398	\$ 374,074	\$ 357,329	\$ 731,403	\$ 3,386,801
Payroll taxes and employee benefits (Note 9)	271,087	233,842	504,929	113,658	80,148	193,806	698,735
Total Salaries and Related Costs	1,855,436	1,304,891	3,160,327	487,732	437,477	925,209	4,085,536
Grants (Notes 2M and 10)	4,714,730	-	4,714,730	-	-	-	4,714,730
Advocacy	270,000	-	270,000	-	-	-	270,000
Rent (Note 12A)	180,597	71,830	252,427	71,830	35,916	107,746	360,173
Printing	60,269	73,972	134,241	10,635	28,471	39,106	173,347
Postage and shipping	35,977	56,458	92,435	23,207	24,338	47,545	139,980
Supplies	4,573	11,844	16,417	2,950	4,041	6,991	23,408
Travel	79,326	74,574	153,900	10,058	20,501	30,559	184,459
Conference, meetings and events	409,795	319,687	729,482	43,430	102,192	145,622	875,104
Camp expenses	-	133,850	133,850	-	-	-	133,850
Insurance	6,158	7,289	13,447	7,288	3,644	10,932	24,379
Information technology	78,710	78,527	157,237	39,111	30,453	69,564	226,801
Professional fees	142,052	125,476	267,528	91,925	58,159	150,084	417,612
Dues and other fees	96,172	66,779	162,951	62,101	32,170	94,271	257,222
Food and beverage	62,851	119,894	182,745	18,773	33,420	52,193	234,938
Telephone	8,883	11,136	20,019	9,692	5,062	14,754	34,773
Equipment rental and maintenance	5,783	6,939	12,722	6,940	3,470	10,410	23,132
Recruitments	-	-	-	635	-	635	635
Advertising (Note 2L)	2,728	1,465	4,193	127	463	590	4,783
Promotional apparel	4,179	18,344	22,523	3,256	6,028	9,284	31,807
Bad debt (Note 2H)	-	-	-	165,400	-	165,400	165,400
Miscellaneous	2,294	4,327	6,621	1,737	1,313	3,050	9,671
Depreciation and amortization (Note 6)	24,940	29,928	54,868	29,928	14,964	44,892	99,760
TOTAL EXPENSES	\$ 8,045,453	\$ 2,517,210	\$ 10,562,663	\$ 1,086,755	\$ 842,082	\$ 1,928,837	\$ 12,491,500

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,176,017	\$ (186,834)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	35,584	99,760
Realized loss on investments	122	63,888
Unrealized (gain) loss on investments	(545,562)	237,039
Bad debt	4,137	165,400
Loss on disposal of property and equipment	121	1,053
Subtotal	6,670,419	380,306
Changes in assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(56,336)	-
Pledges and other receivables	(806,912)	(201,483)
Prepaid expenses and other	(149,569)	(21,736)
Security deposit	(74,549)	-
(Decrease) or increase in liabilities:		
Accounts payable and accrued expenses	64,513	43,820
Grants payable	274,901	(279,712)
Deferred rent and other liabilities	(14,146)	10,383
Net Cash Provided by (Used in) Operating Activities	5,908,321	(68,422)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,650	999,254
Purchases of investments	(958,970)	(552,037)
Purchases of property and equipment	(53,500)	-
Net Cash (Used in) Provided by Investing Activities	(1,010,820)	447,217
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,897,501	378,795
Cash and cash equivalents - beginning of year	3,129,093	2,750,298
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,026,594	\$ 3,129,093

The accompanying notes are an integral part of these financial statements.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1—NATURE OF THE ORGANIZATION

The Children's Tumor Foundation, Inc. (the "Foundation") was incorporated in 1978 as a not-for-profit corporation under the laws of the State of New York and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar rules in New York State. It has been designated as a publically supported organization which is not a private foundation and accordingly, does not provide for state and federal income taxes. The Foundation was formed to sponsor scientific research aimed at finding the cause and effective treatment for neurofibromatosis, to promote the development of diagnostic procedures and assist in the development of clinical centers in the United States and to develop programs that will increase public awareness of neurofibromatosis.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:
- Without donor restrictions - These represent resources of the Foundation that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of the Foundation's operations over which the Board of Directors has discretionary control. Contributions are considered available for general operating use unless specifically restricted by the donor. The Board maintains a Board designated endowment fund in this net asset class as further described in Note 8.
 - With donor restrictions – These consist of funds that are restricted by donors which permit the Foundation to expend the assets as specified and are satisfied either by passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, and investment income earned on restricted funds. When a donor restriction expires, these are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. This net asset class might also include those resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently but permits the Foundation to expend part or all of the income derived from the donated assets. The Foundation had no permanent donor-imposed restricted net assets.
- C. The Foundation allocates expenses on a functional basis among its various programs and support services. Expenses that can be identified as belonging to a specific program and/or support service are allocated directly according to their natural expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimated time and effort.
- D. The Foundation records rent expense for operating leases with scheduled rent increases for free rent periods on a straight-line basis over the term of the lease with the difference between the expense and rental payments recorded as an increase or decrease to the deferred rent liability in the statements of financial position.
- E. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at fair value. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction until the restriction's conditions are satisfied, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. The Foundation reports gifts of media time and space, land, building, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Such donations are recorded at their estimated fair value on the date received. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support.

The Foundation pays for services requiring specific expertise. However, success in conducting and reaching its mission is also dependent on attracting the many individuals that volunteer their time and perform a variety of tasks that assist the Foundation with specific programs, campaign solicitations and fundraising events. However, these donated services are not reflected in the financial statements since the services do not require specialized skills. Specialized services which are donated and are quantified are reflected in the accompanying financial statements at their fair value on the date of receipt. For the years ended December 31, 2019 and 2018, the Foundation did not have contributed services. Significant materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. For the years ended December 31, 2019 and 2018, the Foundation recognized contributed goods used for fundraising in the amounts of \$23,581 and \$51,337, respectively.

- G. Bequests are recognized when a will has passed through probate and the Foundation is notified that all disputes are resolved and funds are forthcoming.
- H. Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are computed using risk-adjusted interest rates applicable to the years in which the promises are received, unless such discount is immaterial. Conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2019 and 2018, the Foundation determined an allowance for doubtful accounts related to pledges and other receivables amounting to \$0 and \$165,000 respectively, was necessary. This determination is based on a combination of factors, such as, management's estimate of the creditworthiness of the contributors, a review of individual accounts outstanding, and the aged basis of the receivable and historical experience.
- I. The Foundation considers all highly liquid investments with a maturity of three months or less when acquired to be cash and cash equivalents, except for money market funds held in the Foundation's investment accounts.
- J. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investments received by gift are initially recorded at their fair value on the date of the gift. Unrealized gains or losses are included in the change in net assets.
- K. Property and equipment is reflected at cost, if purchased, or if donated, at fair market value at the date of receipt. The cost of maintenance and repairs is charged to expense as incurred while significant renewals and betterments are capitalized. The Foundation capitalizes additions and significant improvements in excess of \$1,500 with a useful life of two years or more. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the lesser of their useful life or the remaining term of the lease.
- L. The Foundation uses advertising and media for public education and relations to promote its national programs. Advertising costs are expensed as incurred and are reflected in the accompanying statements of functional expenses.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. The Foundation approves research and fellowship grant awards subject to periodic reviews of performance. These grants generally are payable in installments over a period of two or three years, upon the approval and acceptance of periodic progress reports provided to the Foundation by the award recipients. Most grants are fully accrued once the recipients accept the grant awards. Unless material, the Foundation does not discount commitments to be paid later than one year to present value. Grants and fellowships are subject to automatic forfeiture if the award recipients do not comply with award stipulations. Grants that are not fully used and get returned to the Foundation are recorded as other income. For the years ended December 31, 2019 and 2018, grants that were returned to the Foundation amounted to \$164,509 and \$456,233, respectively.
- N. The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. These costs are netted against special events revenue and amounted to approximately \$107,000 and \$164,000 for the years ended December 31, 2019 and 2018, respectively.
- O. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- P. During the year ended December 31, 2019, the Foundation adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" and ASU 2018-08, "Contributions Received and Contributions Made." ASU 2014-09 requires the Foundation to recognize revenue to depict the provisions of services in amounts that reflect the consideration to which the Foundation expects to be entitled in exchange for those services. ASU 2018-08 provides guidance to assist the Foundation in accounting for contributions. The Foundation considers whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and a right of return of assets transferred or a right of releases of a resource provider's obligation to transfer assets. ASU 2014-09 and ASU 2018-08 were adopted retrospectively and had no impact on the change in net assets for the year ended December 31, 2019.

NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

The Foundation receives contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation maintains current financial assets less current liabilities at a minimum of 30 days operating expenses. The Foundation targets a year-end balance of reserves of undesignated net assets without donor restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

As of December 31, 2019, the financial assets held by the Foundation and the amounts of those financial assets that could readily be made available over the next 12 months to meet general expenditures are as follows:

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES
(Continued)

Total financial assets	\$ 18,742,673
Donor-imposed restrictions:	
Assets held in trust	(141,821)
Pledges not due within the next 12 months	<u>(413,334)</u>
Net financial assets after donor-imposed restrictions	18,187,518
Internal designations:	
Board designated funds*	<u>(8,387,917)</u>
Financial assets available to meet cash needs for general expenditures over the next 12 months	<u>\$ 9,799,601</u>

*The Board designated funds can be undesignated through a Board resolution if needed to cover general expenditures.

NOTE 4—PLEDGES AND OTHER RECEIVABLES, NET

Pledges and other receivables due to the Foundation consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Individuals	\$ 1,313,650	\$ 477,000
Foundations	162,625	110,000
Corporations	<u>1,000</u>	<u>252,500</u>
Subtotal	1,477,275	839,500
Less: allowance for doubtful accounts	<u>-</u>	<u>(165,000)</u>
Net	<u>\$ 1,477,275</u>	<u>\$ 674,500</u>

Pledges and other receivables are scheduled to be received as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Amount due in less than one year	\$ 1,063,941	\$ 524,500
Amount due in one to five years	<u>413,334</u>	<u>150,000</u>
	<u>\$ 1,477,275</u>	<u>\$ 674,500</u>

For the year ended December 31, 2019, pledges from two donors made up 62% of the total balance in pledges and other receivables.

CHILDREN'S TUMOR FOUNDATION, INC.
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NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Equities and equity mutual funds	\$ 2,407,522	\$ 1,870,972
Money market funds	5,251,465	4,040,343
Certificates of deposit	244,544	359,166
Fixed income – Mutual funds	141,821	132,794
Fixed income – Corporate bonds	819,091	776,830
Fixed income – Municipal securities	<u>318,025</u>	<u>499,603</u>
	<u>\$ 9,182,468</u>	<u>\$ 7,679,708</u>

In 2006, the Foundation received a parcel of land located in Arizona valued at \$125,000. During 2009, the Foundation revalued this land due to a downturn in the real estate market in that region. During 2018, the value of the land was written off as a result of an updated appraisal of the land obtained.

Investments are subject to market volatility, which could substantially change the carrying value in the near term.

Investment activity consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 200,112	\$ 172,362
Realized loss – Land write down	-	(62,500)
Realized loss – All other investments	(122)	(1,388)
Unrealized gain (loss)	<u>545,562</u>	<u>(237,039)</u>
	<u>\$ 745,552</u>	<u>\$ (128,565)</u>

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

**CHILDREN'S TUMOR FOUNDATION, INC.
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NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets measured at fair value on a recurring basis as of December 31, 2019 are presented in the following table:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2019</u>
Equities and equity mutual funds	\$ 2,407,522	\$ -	\$ 2,407,522
Money market funds	5,251,465	-	5,251,465
Certificates of deposit	-	244,544	244,545
Fixed income – Mutual funds	141,821	-	141,820
Fixed income – Corporate bonds	-	819,091	819,091
Fixed income – Municipal securities	-	318,025	318,025
Total Assets at Fair Value	<u>\$ 7,800,806</u>	<u>\$ 1,381,660</u>	<u>\$ 9,182,468</u>

Financial assets measured at fair value on a recurring basis as of December 31, 2018 are presented in the following table:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2018</u>
Equities and equity mutual funds	\$ 1,870,972	\$ -	\$ 1,870,972
Money market funds	4,040,343	-	4,040,343
Certificates of deposit	-	359,166	359,166
Fixed income – Mutual funds	132,794	-	132,794
Fixed income – Corporate bonds	-	776,830	776,830
Fixed income – Municipal securities	-	499,603	499,603
Total Assets at Fair Value	<u>\$ 6,044,109</u>	<u>\$ 1,635,599</u>	<u>\$ 7,679,708</u>

Investments in money market funds, equities, equity mutual funds, exchange-traded funds and fixed income mutual funds are valued using market prices in active markets (Level 1). Investments in certificates of deposit, fixed income – corporate bonds and fixed income – municipal securities are designated as Level 2.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2019 and 2018, there were no transfers.

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 29,311	\$ 36,126	3-5 years
Furniture and fixtures	-	24,550	6-7 years
Leasehold improvements	-	175,889	3-10 years
Software	305,322	251,822	3 years
Total cost	334,633	488,387	
Less: accumulated depreciation and amortization	<u>(284,529)</u>	<u>(456,078)</u>	
Net book value	<u>\$ 50,104</u>	<u>\$ 32,309</u>	

**CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6—PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization expense amounted to \$35,584 and \$99,760 for the years ended December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018, the Foundation disposed of property and equipment amounting to \$207,254 and \$36,597, respectively, with accumulated depreciation amounting to \$207,133 and \$35,544, respectively, and recorded a loss on disposal amounting to \$121 and \$1,053, respectively.

NOTE 7—ASSETS HELD IN TRUST

The Foundation is in possession of trust assets with conditions imposed by the settlor in a trust. The Foundation has agreed that all trust assets received will be held and invested at the discretion of the Foundation. All income except unrealized gains generated by these investments is to be used for research purposes and none of the corpus can be expended. When certain conditions are fulfilled by the Foundation, the original trust corpus is to be forwarded to another not-for-profit organization as stipulated in the trust document. As of December 31, 2019 and 2018, assets held in trust amounted to \$141,821 and \$132,794, respectively, the amounts are included in investments on the accompanying statements of financial position. The liability associated with the principal of the trust of \$195,800 as of December 31, 2019 and 2018, is recorded as a liability in the accompanying statements of financial position.

NOTE 8—BOARD DESIGNATED NET ASSETS

The Foundation's Board of Directors established an endowment account without donor restrictions. While recorded in the statements of financial position as net assets without donor restrictions, the Board of Directors has imposed an internal designation on the use of these funds. Invasions of principal or interest may not be made without the approval of the Board of Directors. All bequests and memorial contributions received by the Foundation are deposited into this fund.

NOTE 9—PENSION PLAN

The Foundation offers a 401(k) retirement plan (the "Plan") to all full-time employees. Under the terms of the Plan, employees who participate may contribute up to an annual maximum allowable limitation as established in the Internal Revenue Code. Additionally, after one year of employment, employees are entitled to a Foundation contribution (currently 4% of salary) which is 100% vested to the employees. Pension expense for the years ended December 31, 2019 and 2018, amounted to \$116,637 and \$110,730, respectively.

NOTE 10—GRANTS PAYABLE

Details of grant awards as of and for the years ended December 31 are as follow:

	<u>2019</u>	<u>2018</u>
Grants payable, beginning of year	\$ 650,295	\$ 930,007
Grants awarded during the year	3,307,235	4,714,730
Grants disbursed during the year	(3,029,334)	(4,994,442)
Grants payable written off	<u>(3,000)</u>	<u>-</u>
Grants payable, end of year	<u>\$ 925,196</u>	<u>\$ 650,295</u>

Grants payable are scheduled to be paid subsequent to December 31, 2019, as follows:

2020	\$ 889,196
2021	<u>36,000</u>
	<u>\$ 925,196</u>

**CHILDREN'S TUMOR FOUNDATION, INC.
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NOTE 11—CONCENTRATIONS

Cash that potentially subjects the Foundation to a concentration of credit risk includes cash accounts with one financial institution that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor. As of December 31, 2019, and 2018, there was approximately \$4,634,000 and \$2,486,000, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 12—COMMITMENTS AND CONTINGENCIES

A. During April 2019, the Foundation entered into a new lease agreement at a new location in New York City for two years ending June 30, 2021.

The Foundation is obligated under various lease agreements for the use of equipment through 2021.

Approximate future minimum lease payments are as follows for the years ending after December 31, 2019:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 277,000	\$ 13,000	\$ 290,000
2021	<u>140,000</u>	<u>4,000</u>	<u>144,000</u>
	<u>\$ 417,000</u>	<u>\$ 17,000</u>	<u>\$ 434,000</u>

Total rent expense, inclusive of operating charges, amounted to \$304,313 and \$360,173 for the years ended December 31, 2019 and 2018, respectively.

B. The Foundation believes it has no uncertain tax positions as of December 31, 2019 and 2018, in accordance with Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS AND BOARD DESIGNATED FUNDS

A. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31:

<u>Source</u>	<u>Purpose</u>	<u>2019</u>	<u>2018</u>
Individuals	Schwannomatosis	\$ 163,510	\$ 166,317
Individuals	Neurofibromatosis ("NF") Accelerator	491,897	864,600
Individuals	NF2 Accelerator	227,506	222,146
Individuals	Time restricted	50,000	100,000
Individuals	Family Funds	171,400	101,200
Individuals	Other	134,000	87,959
Foundation	Family Funds	3,217,240	3,371,028
Foundation	NF2 Accelerator	49,575	-
Foundation	Discovery Fund	5,666,159	-
Foundation	Other	<u>405,000</u>	<u>134,047</u>
		<u>\$ 10,576,287</u>	<u>\$ 5,047,297</u>

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS AND BOARD DESIGNATED FUNDS (Continued)

A. Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions were released from donor restrictions by incurring expenses or the passage of time thus satisfying the restricted purposes specified by the donors during the years ended December 31, as follows:

	<u>2019</u>	<u>2018</u>
General Research	\$ 291,565	\$ 29,852
NF	144,832	257,122
Schwannomatosis	338,140	673,701
Synodos	-	19,563
NF Accelerator	942,037	135,400
Drug Discovery Initiative	531,482	92,500
Family Funds	158,647	-
Time restricted	50,000	50,000
Other	<u>406,356</u>	<u>1,071,992</u>
	<u>\$ 2,863,059</u>	<u>\$ 2,330,130</u>

B. Net Assets Without Restrictions – Board Designated Endowment

The Foundation adheres to the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA provides for a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restrictions will be reflected as restricted until appropriated. The Foundation had no donor-restricted permanent endowment funds subject to the appropriation provisions of NYPMIFA as of December 31, 2019 and 2018.

FASB Staff Position No. FAS 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds,” now codified at ASC 958-205, provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). ASC 958-205 also improves disclosure about an organization’s endowment funds, whether or not the organization is subject to UPMIFA.

The Foundation maintains a Board designated endowment fund as further described in Note 8. However, this fund is not subject to the appropriation provisions of NYPMIFA and, therefore, the Foundation has implemented only the disclosure guidance provided for in ASC 958-205.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through August 4, 2020, the date the financial statements were available to be issued.

CHILDREN'S TUMOR FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14—SUBSEQUENT EVENTS (Continued)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The Foundation could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Foundation's mission, programs, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Foundation cannot predict the extent to which its financial condition and results of operations will be affected.

In response to the pandemic, in March 2020, the United States passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which included the Paycheck Protection Program which intends to provide loans to businesses to cover payroll costs. The loans are eligible for forgiveness if certain criteria are met. On May 5, 2020, the Foundation received a loan of \$691,400 under this program.