

Children's Cancer Research Fund

Financial Statements Together with Independent Auditors' Report

December 31, 2019

CHILDREN'S CANCER RESEARCH FUND

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Cancer Research Fund
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Cancer Research Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and June 30, 2019, and the related statement of activities, functional expenses and cash flows for the six months and twelve months 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 of 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 Children's Cancer Research Fund as of December 31, 2019 and June 30, 2019, and the changes in its net assets and its cash flows for the six months and twelve months then ended in accordance with accounting principles generally accepted in the United States of America.

Roseville, Minnesota
April 22, 2020



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CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019 AND JUNE 30, 2019

ASSETS		
	<u>December 31, 2019</u>	<u>June 30, 2019</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 3,915,500	\$ 8,488,222
Pledges Receivable	579,742	691,454
Accrued Interest	9,164	8,154
Prepaid Expenses	179,227	154,520
Total Current Assets	<u>4,683,633</u>	<u>9,342,350</u>
PROPERTY AND EQUIPMENT:		
Property and Equipment	996,059	1,140,198
Less Accumulated Depreciation	<u>755,070</u>	<u>864,937</u>
Net Property and Equipment	<u>240,989</u>	<u>275,261</u>
OTHER NON CURRENT ASSETS:		
Investment Securities	3,576,248	3,254,379
Pledges Receivable, Net	<u>906,451</u>	<u>1,052,017</u>
Total Other Non Current Assets	<u>4,482,699</u>	<u>4,306,396</u>
TOTAL ASSETS	<u>\$ 9,407,321</u>	<u>\$ 13,924,007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 240,254	\$ 1,243,584
Accrued Payroll and Related	217,974	313,516
Unearned Event Revenue	39,200	145,893
Grants Payable	<u>3,084,529</u>	<u>6,397,528</u>
Total Current Liabilities	<u>3,581,957</u>	<u>8,100,521</u>
NON CURRENT LIABILITIES:		
Grants Payable, Net	909,679	1,028,210
Other Accrued Liabilities	<u>46,359</u>	<u>52,036</u>
Total Non Current Liabilities	<u>956,038</u>	<u>1,080,246</u>
NET ASSETS:		
Without Donor Restrictions:		
Operating	668,753	1,152,045
Board Designated	<u>2,999,586</u>	<u>2,729,890</u>
Total Without Donor Restrictions	<u>3,668,339</u>	<u>3,881,935</u>
With Donor Restrictions	<u>1,200,987</u>	<u>861,305</u>
Total Net Assets	<u>4,869,326</u>	<u>4,743,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,407,321</u>	<u>\$ 13,924,007</u>

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Six Months Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
General Contributions	\$ 2,175,924	\$ 379,808	\$ 2,555,732
Events	1,590,820	517,984	2,108,804
Direct Expenses	(89,419)	-	(89,419)
Donated Goods and Services	4,503,509	-	4,503,509
Cause Marketing	90,119	12,276	102,395
Investment Income	226,440	43,256	269,696
Other	48,716	-	48,716
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	613,642	(613,642)	-
Total Support and Revenue	9,159,751	339,682	9,499,433
EXPENSES:			
Program Services:			
Research	1,276,486	-	1,276,486
Education and Awareness	6,431,335	-	6,431,335
Patient and Family Services	146,651	-	146,651
Total Program Expenses	7,854,472	-	7,854,472
Supporting Services:			
Fundraising	950,826	-	950,826
Management and General	568,049	-	568,049
Total Support Expenses	1,518,875	-	1,518,875
Total Expenses	9,373,347	-	9,373,347
CHANGE IN NET ASSETS	(213,596)	339,682	126,086
NET ASSETS at Beginning of Year	3,881,935	861,305	4,743,240
NET ASSETS at End of Year	\$ 3,668,339	\$ 1,200,987	\$ 4,869,326

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES (Continued) TWELVE MONTHS ENDED JUNE 30, 2019

	Twelve Months Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
General Contributions	\$ 3,280,237	\$ 1,303,119	\$ 4,583,356
Events	10,946,957	1,525,193	12,472,150
Direct Expenses	(446,002)	–	(446,002)
Donated Goods and Services	6,249,708	–	6,249,708
Cause Marketing	85,733	78,968	164,701
Investment Income	301,564	60,967	362,531
Other	75,889	–	75,889
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	2,727,489	(2,727,489)	–
Total Support and Revenue	23,221,575	240,758	23,462,333
EXPENSES:			
Program Services:			
Research	6,685,512	–	6,685,512
Education and Awareness	11,570,748	–	11,570,748
Patient and Family Services	466,120	–	466,120
Total Program Expenses	18,722,380	–	18,722,380
Supporting Services:			
Fundraising	3,311,844	–	3,311,844
Management and General	1,067,799	–	1,067,799
Total Support Expenses	4,379,643	–	4,379,643
Total Expenses	23,102,023	–	23,102,023
CHANGE IN NET ASSETS	119,552	240,758	360,310
NET ASSETS at Beginning of Year	3,762,383	620,547	4,382,930
NET ASSETS at End of Year	\$ 3,881,935	\$ 861,305	\$ 4,743,240

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

	Six Months Ended December 31, 2019					
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	Total
Salaries, Wages and Payroll Taxes	\$ -	\$ 752,206	\$ 49,206	\$ 241,783	\$ 314,074	\$1,357,269
Employee Benefits	-	88,294	5,814	28,570	37,113	159,791
Professional Development	-	18,932	1,726	6,498	7,133	34,289
Professional Services	-	217,794	43,718	101,408	37,665	400,585
Printing and Postage:						
Office Printing and Postage	-	42,161	2,949	18,693	2,380	66,183
Direct Mail	-	429,189	-	464,955	-	894,144
Promotion and Advertising:						
In-Kind PSA Media	-	4,503,509	-	-	-	4,503,509
Advertising	-	178,661	-	3,086	-	181,747
Supplies and Equipment	-	18,681	9,514	4,192	3,389	35,776
Venue and Entertainment	-	33,169	7,875	25,880	680	67,604
Fees, Licenses and Permits	-	1,895	-	5,630	86,507	94,032
Insurance	-	-	-	-	24,207	24,207
Travel and Lodging	-	12,670	5,616	8,859	1,163	28,308
Facilities and Administration	-	54,687	3,695	17,783	23,592	99,757
Research and Program Grants	1,276,486	-	11,500	-	-	1,287,986
Information Technology	-	48,016	2,966	13,306	16,918	81,206
Depreciation	-	31,471	2,072	10,183	13,228	56,954
Total Expenses	<u>\$1,276,486</u>	<u>\$ 6,431,335</u>	<u>\$ 146,651</u>	<u>\$ 950,826</u>	<u>\$ 568,049</u>	<u>\$9,373,347</u>

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES (Continued) TWELVE MONTHS ENDED JUNE 30, 2019

	Twelve Months Ended June 30, 2019					
	Program Services			Supporting Services		Total
	Research	Education & Awareness	Patient & Family Services	Fund- raising	Manage- ment and General	
Salaries, Wages and Payroll Taxes	\$ –	\$ 1,455,243	\$ 101,672	\$ 524,057	\$ 613,575	\$ 2,694,547
Employee Benefits	–	157,061	11,049	56,952	66,680	291,742
Professional Development	–	38,310	6,447	19,405	13,237	77,399
Professional Services	–	1,353,641	149,593	868,978	56,399	2,428,611
Printing and Postage:						
Office Printing and Postage	–	145,184	4,769	88,111	4,089	242,153
Direct Mail	–	571,153	–	618,754	–	1,189,907
Promotion and Advertising:						
In-Kind PSA Media	–	6,249,708	–	–	–	6,249,708
Advertising	–	1,028,416	–	749,018	–	1,777,434
Supplies and Equipment	–	137,959	19,830	120,545	3,099	281,433
Venue and Entertainment	–	44,335	14,564	53,806	1,882	114,587
Fees, Licenses and Permits	–	74,587	120	77,772	181,684	334,163
Insurance	–	–	–	–	23,772	23,772
Travel and Lodging	–	30,933	20,399	38,160	1,775	91,267
Facilities and Administration	–	108,135	8,027	39,267	47,932	203,361
Research and Program Grants	6,685,512	4,000	120,000	–	–	6,809,512
Information Technology	–	112,013	5,424	35,237	28,172	180,846
Depreciation	–	60,070	4,226	21,782	25,503	111,581
	<u>\$ 6,685,512</u>	<u>\$ 11,570,748</u>	<u>\$ 466,120</u>	<u>\$ 3,311,844</u>	<u>\$ 1,067,799</u>	<u>\$23,102,023</u>
Total Expenses						

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

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF CASH FLOWS SIX MONTHS ENDED DECEMBER 31, 2019 AND TWELVE MONTHS ENDED JUNE 30, 2019

	Six Months Ended December 31, 2019	Twelve Months Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 126,086	\$ 360,310
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	56,954	111,581
Investment Gains	(213,002)	(300,609)
Non Current Grants Payable	(118,531)	172,957
Non Current Pledges Receivable	145,566	(176,088)
Changes in Assets and Liabilities:		
Pledges Receivable	111,712	(152,225)
Accrued Interest	(1,010)	(365)
Prepaid Expenses	(24,707)	72,597
Accounts Payable	(1,003,330)	(59,379)
Accrued Payroll	(95,542)	45,709
Other Accrued Liabilities	(5,677)	(11,353)
Unearned Event Revenue	(106,693)	(12,240)
Grants Payable	<u>(3,312,999)</u>	<u>2,697,737</u>
Net Cash Flows From Operating Activities	<u>(4,441,173)</u>	<u>2,748,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(22,682)	(91,511)
Purchases of Investments	(470,665)	(997,671)
Proceeds from Sale of Investments	<u>361,798</u>	<u>473,356</u>
Net Cash Flows From Investing Activities	<u>(131,549)</u>	<u>(615,826)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,572,722)	2,132,806
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>8,488,222</u>	<u>6,355,416</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 3,915,500</u>	<u>\$ 8,488,222</u>

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

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's Cancer Research Fund (the Organization) is a national nonprofit who supports the brightest and boldest researchers searching for better treatments and cures for childhood cancer. Because childhood cancer affects the whole family and community, we also educate the public about childhood cancer and fund a variety of services that enhance healing and care for children and their families.

Basis of Presentation

Effective for the calendar year beginning January 1, 2020, the Organization will change from a fiscal year end of June 30 to a calendar year end of December 31. A six-month fiscal transition period from July 1, 2019 to December 31, 2019 is presented in these financial statements which precedes the start of the new calendar-year cycle.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets without Donor Restrictions

Operating: Resources over which the Board of Directors has discretionary control.

Board Designated: Designated amounts represent those net assets which the Board has set aside to fund specific operational activities and to assure the long-term financial health of the Organization. The Board Designated fund is comprised of Operating Reserves and Program Services Support. The Operating Reserve provides a funding mechanism to provide a consistent source of operating support in the operating budget and serves as a reserve to cover budget shortfalls. The Program Services Support provides a mechanism to maintain assets related to grants awarded that will be distributed in future years and to respond to Program Service funding opportunities that advance the mission of the Organization.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

Accounting Estimates

The presentation 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 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.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through April 22, 2020, the date the financial statements were available to be issued. Except as discussed in Note 14, there were no subsequent events that required recognition or disclosure in the financial statements.

Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Pledges Receivable

Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue.

Allowance for Pledges Receivable Losses

Pledges receivable are assessed individually for collectability based on the surrounding facts and circumstances and past history.

The Organization monitors the credit quality of its pledges receivable balance. Pledges are reviewed periodically, and collectability of pledge balances is assessed. Losses in prior years have been insignificant. The Organization has recorded no allowance for uncollectible pledges at December 31, 2019 and June 30, 2019.

Property, Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture	7 Years
Office and Computer Equipment	3-5 Years
Software	3 Years

Depreciation expense was \$56,954 and \$111,581 for the six months ended December 31, 2019, and twelve months ending June 30, 2019.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

Grants Payable

Unconditional grants are recorded as expense when approved by management. Grants that are subject to conditions are recorded when the conditions have been substantially met. Grants payable are stated at fair value by discounting payments due in more than one year. Grants payable cancelled in a subsequent year are recorded in the year of cancellation.

Revenue Recognition

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (Topic 606) and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in US Generally Accepted Accounting Principles (GAAP). The new guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Results for short reporting periods beginning after July 1, 2019 are presented under Topic 606 while prior periods amounts are not adjusted and continue to be reported in accordance with legacy GAAP.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. There was no significant effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method

Contributions Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. 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 statement of activities as net assets released from restrictions.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Event Revenue

The Organization hosts multiple events throughout the year in differing varieties to educate the public and to raise funds in the name of fighting childhood cancer. Registration fees for these events are billed to the participant at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrant access to the event and event materials. Revenue from these events are recognized at the point in time the event is held and the Organization's performance obligation to hold the event is completed. The Organization also provides the opportunity to sponsor their events. Event sponsors pay for sponsorship for events in exchange for access for their representatives to the event itself, access to the event materials, and access to the individuals attending the events. Registration and sponsorships for the Organization's events opens months before the events are scheduled to be held. Cash receipts for registrations and sponsorships collected in advance of the events are deferred as contact liabilities until earned when the event is held at which point the revenue is recognized.

Donated Services

The Organization recognizes revenue and expenses for donated space in the form of publications and digital media for Public Service Announcements (PSA's) and education media outreach. The donated space is valued at fair market value based on rates provided by the public relations agency and various publications.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expense

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- 1) Salaries and wages, benefits, and payroll taxes are allocated based on the amounts of time spent by employees performing those functions.
- 2) Occupancy, depreciation, amortization and interest are allocated on a square foot basis based on the programs and supporting activities occupying the space.
- 3) Telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of salaries and wages.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in support received in future years.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code therefore, the statements do not include a provision for income taxes but is subject to income tax on net unrelated business income.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Organization had a credit risk concentration as a result of depositing \$1,600,000 of funds in excess of insurance limits in a single bank.

Fair Value Measurements

Under generally accepted accounting principles, fair value is 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. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on inputs as presented in Note 2.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowments

The Organization follows the provisions of the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered net assets with donor restrictions.

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual periods beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

NOTE 2 - INVESTMENTS

Investments are stated at fair value at December 31, 2019 and June 30, 2019 and consisted of the following:

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Money Market Funds	\$ 47,319	\$ 59,889
Marketable Equity Securities	2,372,263	2,066,734
Mutual Funds	155,335	334,360
Corporate Bonds, Maturity Date 2020 Through 2030	968,109	782,641
Government Bonds, Maturity Date 2025 Through 2029	71,121	70,644
Total	<u>\$ 3,614,147</u>	<u>\$ 3,314,268</u>

Net investment income for the six months ended December 31, 2019 and twelve months ending June 30, 2019 consisted of the following:

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Interest and Dividend Income	\$ 63,596	\$ 75,099
Investment Gains	213,002	300,609
Investment Fees	(6,902)	(13,177)
Total	<u>\$ 269,696</u>	<u>\$ 362,531</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

Investments accounts were held as follows at December 31, 2019 and June 30, 2019:

	December 31, 2019	June 30, 2019
General Investment Account	\$ 2,991,567	\$ 2,785,194
Endowment Investment Account	622,580	529,074
Money Market Reclassification to Cash Equivalents	(37,899)	(59,889)
Total	\$ 3,576,248	\$ 3,254,379

The following tables, as of December 31, 2019 and June 30, 2019, provide information by level for assets that are measured at fair value, on a recurring basis.

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
December 31, 2019:				
Money Market Funds	\$ 47,319	\$ 47,319	\$ -	\$ -
Marketable Equity Securities	2,372,263	2,372,263	-	-
Mutual Funds	155,335	155,335	-	-
Corporate Bonds	968,109	-	968,109	-
Government Bonds	71,121	-	71,121	-
Totals	\$ 3,614,147	\$ 2,574,917	\$ 1,039,230	\$ -
Fair Value Measurements Using Inputs Considered as				
Description	Total	Level 1	Level 2	Level 3
June 30, 2019:				
Money Market Funds	\$ 59,889	\$ 59,889	\$ -	\$ -
Marketable Equity Securities	2,066,734	2,066,734	-	-
Mutual Funds	334,360	334,360	-	-
Corporate Bonds	782,641	-	782,641	-
Government Bonds	70,644	-	70,644	-
Totals	\$ 3,314,268	\$ 2,460,983	\$ 853,285	\$ -

The fair value maturities of the corporate bonds as of December 31, 2019 are as follows: 0-5 years - \$485,635; 6-10 years - \$456,314; and over 10 years - \$26,160.

The fair value of the Organization's money market funds, marketable equity securities, and mutual funds were determined based on Level 1 inputs.

The fair values of the Organization's corporate bonds and government bonds were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material to the amounts reported in the statement of financial position. Subsequent to year end, the Organization's investment securities did experience a decline in value.

NOTE 3 - PLEDGES RECEIVABLE

Promises to give consisted of the following at December 31 and June 30:

	December 31, 2019	June 30, 2019
Pledges Receivable	<u>\$ 1,486,193</u>	<u>\$ 1,743,471</u>

Pledges receivable are due as follows for the years ended December 31:

2020		\$ 579,742
2021		269,548
2022		122,883
2023		120,000
2024		100,000
Thereafter		<u>400,000</u>
		1,592,173
Less Discount at 3%		<u>105,980</u>
Total		<u>\$ 1,486,193</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of December 31 and June 30:

	December 31, 2019	June 30, 2019
Furniture	\$ 317,126	\$ 335,430
Office, Computer Equipment and Software	<u>678,933</u>	<u>804,768</u>
Total	<u>\$ 996,059</u>	<u>\$ 1,140,198</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's cash flows, and general expenditures have seasonal variations due to the annual cash receipts for event revenue and a concentration of contributions received near their previous fiscal year-end of June 30. Investments consist of funds designated by the board of directors for operating reserves. Investment earnings are typically re-invested in the investment portfolio. The Organization does not intend to spend from these board designated investments and meet on a regular basis to discuss whether any appropriations are considered necessary.

Available cash and annual increase in net assets is typically adequate to meet all obligations the Organization has. In the event of additional liquidity need, there is a \$500,000 available line of credit.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2019 and June 30, 2019 are as follows:

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 3,915,500	\$ 8,488,222
Pledges Receivable	579,742	691,454
Endowment and Long-Term Investments	3,576,248	3,254,379
Pledges Receivable - Non Current, Net	<u>906,451</u>	<u>1,052,017</u>
Total Financial Assets	<u>8,977,941</u>	<u>13,486,072</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Donor-Restricted - Purpose	718,145	428,713
Donor-Restricted - Endowment Funds	<u>482,842</u>	<u>432,592</u>
Less Financial Assets Held to Meet Donor Restrictions	<u>1,200,987</u>	<u>861,305</u>
Less Financial Assets not Available within One Year:		
Pledges Receivable - Non Current, Net	906,451	1,052,017
Board Designated Investments	<u>2,999,586</u>	<u>2,729,890</u>
Less Financial Assets not Available within One Year	<u>3,906,037</u>	<u>3,781,907</u>
Amounts Available for General Expenditure within One Year	<u>\$ 3,870,917</u>	<u>\$ 8,842,860</u>

The above table reflects donor-restricted and board designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization.

NOTE 6 - ENDOWMENTS

The purpose of the endowment funds is to provide support to help eradicate childhood cancer. The Organization's endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS (Continued)

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Organization has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return. The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level of the original value of gifts donated plus subsequent gifts or other requirements that the Organization retain a fund of perpetual duration. If the principal balance falls below 20% of the original fund balance, ordinary distributions will be temporarily suspended until the fund balance is restored to the original fund balance. In accordance with generally accepted accounting policies, market value deficiencies of this nature are reported as net assets without donor restrictions. There were no deficiencies that occurred during the six months ending December 31, 2019, and the twelve months ending June 30, 2019.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS (Continued)

The Finance, Investment and Audit Committee annually reviews and recommends to the Board of Directors the amount to be distributed from endowment assets for the next fiscal year.

Changes in endowment net assets for the six months ending December 31, 2019, and twelve months ending June 30, 2019 are as follows:

	With Donor Restrictions		Total
	Restricted	Endowed	
Endowment Net Assets, June 30, 2018	\$ 35,515	\$ 400,000	\$ 435,515
Investment Income	60,967	-	60,967
Contributions	-	32,592	32,592
Endowment Net Assets, June 30, 2019	96,482	432,592	529,074
Investment Income	43,256	-	43,256
Contributions	-	50,250	50,250
Endowment Net Assets, December 31, 2019	<u>\$ 139,738</u>	<u>\$ 482,842</u>	<u>\$ 622,580</u>

NOTE 7 - GRANTS PAYABLE

Grants payable are due as follows for the years ended December 31:

2020	\$ 3,084,529
2021	235,000
2022	100,000
2023	100,000
2024	100,000
Thereafter	<u>500,000</u>
	4,119,529
Less Discount at 3%	<u>125,321</u>
Total	<u>\$ 3,994,208</u>

NOTE 8 - LINE OF CREDIT

The Organization has a revolving credit loan agreement with a bank which enables the Organization to borrow up to \$500,000 at the one-month ICE Benchmark Administration (ICE) LIBOR rate plus 3%. The line of credit is secured by all business assets of the Organization. The agreement does not have a maturity date but can be terminated at any time by either party. No balance was outstanding on this loan at December 31, 2019 and June 30, 2019.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS

Board designated net assets at December 31, 2019 and June 30, 2019 consist of the following:

	December 31, 2019	June 30, 2019
Board Designated:		
Operating Reserve	\$ 2,749,586	\$ 2,479,890
Program Services Support	250,000	250,000
Total Board Designated	<u>\$ 2,999,586</u>	<u>\$ 2,729,890</u>

Net Assets With Donor Restrictions at December 31, 2019 and June 30, 2019 consist of the following:

	December 31, 2019	June 30, 2019
Net Assets With Donor Restrictions:		
Purpose Restricted Donations	\$ 578,407	\$ 332,231
Endowment Funds - Investment Income	139,738	96,482
Endowment Funds - Perpetual	482,842	432,592
Total With Donor Restrictions	<u>\$ 1,200,987</u>	<u>\$ 861,305</u>

Net assets with donor restrictions of \$613,642 and \$2,727,489 were released during the six months ending December 31, 2019, and the twelve months ending June 30, 2019 due to satisfaction of program restrictions.

NOTE 10 - LEASE COMMITMENTS

The Organization leases its principal office under an operating lease agreement. The lease requires monthly rental payments plus operating allocations as defined by the lease. The lease expires in February 2024 with an option for a five-year renewal.

Lease expense for the six months ending December 31, 2019, and twelve months ending June 30, 2019 and future minimum lease commitments for the next five years, (excluding estimated operating expense), are as follows:

Lease Expense:	
For the Six Months Ending December 31, 2019	\$ 87,508
For the Twelve Months Ending June 30, 2019	175,117
Future Lease Commitments:	
2020	102,955
2021	105,918
2022	108,956
2023	112,094
2024	<u>19,042</u>
Total	<u>\$ 448,965</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ALLOCATION OF JOINT COSTS

The Organization conducts an education program to achieve some of its programmatic goals by utilizing events and a direct mail campaign. These activities include joint activities that include fund raising. Costs of conducting the events and direct mail campaign were allocated as follows for the six months ending December 31, 2019, and the twelve months ending June 30, 2019:

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Education and Awareness	\$ 796,300	\$ 3,052,700
Fundraising	<u>529,300</u>	<u>2,267,200</u>
Totals	<u>\$ 1,325,600</u>	<u>\$ 5,319,900</u>

NOTE 12 - RETIREMENT PLAN

The Organization has a 403(b) deferred compensation plan for all employees. Employees may elect to contribute a portion of their salaries up to IRS limitations. The Organization will match 100% of the employees' contribution up to 4% of the employees' compensation. Employer contributions of \$50,895 and \$84,917 were made for the six months ending December 31, 2019, and twelve months ending June 30, 2019.

NOTE 13 - IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value on the date of donation. In-kind contributions relate primarily to public awareness broadcast media space (radio and television) and included the following for the six months ending December 31, 2019 and twelve months ending June 30, 2019:

	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Education Media Outreach	<u>\$ 4,503,509</u>	<u>\$ 6,249,708</u>

NOTE 14 - SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact our future events, ability to fundraise, investment portfolio, internal operations, and ultimately the Organization's financial statements.

In March 2020 the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Paycheck Protection Program (PPP) which allowed for organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In April 2020, the Organization received a \$582,200 loan from the PPP program and expects to use it for the designated purposes.