

Children's Cancer Research Fund

Financial Statements Together with Independent Auditors' Report

December 31, 2021

CHILDREN'S CANCER RESEARCH FUND

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Cancer Research Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Cancer Research Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Cancer Research Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Cancer Research Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Roseville, Minnesota
October 10, 2022

Olsen Thielen + Co., Ltd.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

ASSETS		
	2021	2020
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 11,928,746	\$ 9,742,449
Pledges Receivable	777,800	527,380
Accrued Interest	9,127	8,861
Prepaid Expenses	254,937	352,978
Total Current Assets	12,970,610	10,631,668
PROPERTY AND EQUIPMENT:		
Property and Equipment	1,271,693	1,069,630
Less Accumulated Depreciation	922,736	815,531
Net Property and Equipment	348,957	254,099
OTHER NON CURRENT ASSETS:		
Investment Securities	4,906,832	4,110,480
Pledges Receivable, Net	1,362,360	1,192,856
Total Other Non Current Assets	6,269,192	5,303,336
TOTAL ASSETS	\$ 19,588,759	\$ 16,189,103
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 68,634	\$ 432,610
Accrued Payroll and Related	466,386	344,753
Unearned Event Revenue	-	137,994
Grants Payable	9,236,589	5,411,883
Total Current Liabilities	9,771,609	6,327,240
NON CURRENT LIABILITIES:		
Grants Payable, Net	3,693,169	4,272,709
Other Accrued Liabilities	23,653	35,006
Total Non Current Liabilities	3,716,822	4,307,715
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	367,276	1,275,481
Board Designated	3,230,930	3,230,930
Total Without Donor Restrictions	3,598,206	4,506,411
With Donor Restrictions	2,502,122	1,047,737
Total Net Assets	6,100,328	5,554,148
TOTAL LIABILITIES AND NET ASSETS	\$ 19,588,759	\$ 16,189,103

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
General Contributions	\$ 4,125,283	\$ 3,633,148	\$ 7,758,431
Events	13,696,555	-	13,696,555
Direct Expenses	(68,607)	-	(68,607)
Donated Goods and Services	11,976,153	-	11,976,153
Cause Marketing	97,464	-	97,464
Investment Income	572,794	143,879	716,673
Other	40,171	-	40,171
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	<u>2,322,642</u>	<u>(2,322,642)</u>	<u>-</u>
Total Support and Revenue	<u>32,762,455</u>	<u>1,454,385</u>	<u>34,216,840</u>
EXPENSES:			
Program Services:			
Research	9,689,501	-	9,689,501
Education and Awareness	17,956,143	-	17,956,143
Patient and Family Services	359,046	-	359,046
Total Program Expenses	<u>28,004,690</u>	<u>-</u>	<u>28,004,690</u>
Supporting Services:			
Fundraising	4,176,141	-	4,176,141
Management and General	1,489,829	-	1,489,829
Total Support Expenses	<u>5,665,970</u>	<u>-</u>	<u>5,665,970</u>
Total Expenses	<u>33,670,660</u>	<u>-</u>	<u>33,670,660</u>
GENERAL OPERATING INCOME, NET	<u>(908,205)</u>	<u>1,454,385</u>	<u>546,180</u>
OTHER INCOME:			
Forgiveness of Note Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Income	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(908,205)	1,454,385	546,180
NET ASSETS at Beginning of Year	<u>4,506,411</u>	<u>1,047,737</u>	<u>5,554,148</u>
NET ASSETS at End of Year	<u>\$ 3,598,206</u>	<u>\$ 2,502,122</u>	<u>\$ 6,100,328</u>

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES (Continued) YEAR ENDED DECEMBER 31, 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
General Contributions	\$ 3,838,786	\$ 1,651,645	\$ 5,490,431
Events	15,200,013	831,577	16,031,590
Direct Expenses	(93,549)	–	(93,549)
Donated Goods and Services	13,591,772	–	13,591,772
Cause Marketing	37,997	74,576	112,573
Investment Income	408,418	72,926	481,344
Other	47,355	–	47,355
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	<u>2,783,974</u>	<u>(2,783,974)</u>	<u>–</u>
Total Support and Revenue	<u>35,814,766</u>	<u>(153,250)</u>	<u>35,661,516</u>
EXPENSES:			
Program Services:			
Research	10,532,990	–	10,532,990
Education and Awareness	19,237,198	–	19,237,198
Patient and Family Services	610,298	–	610,298
Total Program Expenses	<u>30,380,486</u>	<u>–</u>	<u>30,380,486</u>
Supporting Services:			
Fundraising	3,838,982	–	3,838,982
Management and General	1,339,426	–	1,339,426
Total Support Expenses	<u>5,178,408</u>	<u>–</u>	<u>5,178,408</u>
Total Expenses	<u>35,558,894</u>	<u>–</u>	<u>35,558,894</u>
GENERAL OPERATING INCOME, NET	<u>255,872</u>	<u>(153,250)</u>	<u>102,622</u>
OTHER INCOME:			
Forgiveness of Note Payable	582,200	–	582,200
Total Other Income	<u>582,200</u>	<u>–</u>	<u>582,200</u>
CHANGE IN NET ASSETS	838,072	(153,250)	684,822
NET ASSETS at Beginning of Year	<u>3,668,339</u>	<u>1,200,987</u>	<u>4,869,326</u>
NET ASSETS at End of Year	<u>\$ 4,506,411</u>	<u>\$ 1,047,737</u>	<u>\$ 5,554,148</u>

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	2021					Total
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	
Salaries, Wages and Payroll Taxes	\$ -	\$ 1,795,624	\$ 89,731	\$ 525,745	\$ 880,838	\$ 3,291,938
Employee Benefits	-	211,887	10,597	62,091	104,027	388,602
Professional Development	-	28,997	5,589	7,560	11,897	54,043
Professional Services	-	1,316,352	6,393	1,301,430	103,633	2,727,808
Printing and Postage:						
Office Printing and Postage	-	209,924	9,997	157,879	6,526	384,326
Direct Mail	-	564,687	-	748,538	-	1,313,225
Promotion and Advertising:						
In-Kind PSA Media	-	11,976,153	-	-	-	11,976,153
Advertising	-	1,152,681	-	927,650	-	2,080,331
Supplies and Equipment	-	190,372	15,950	191,258	1,930	399,510
Venue and Entertainment	-	10,285	102	8,134	366	18,887
Fees, Licenses and Permits	-	121,086	-	129,432	173,217	423,735
Insurance	-	-	-	-	33,203	33,203
Travel and Lodging	-	890	192	433	251	1,766
Facilities and Administration	-	109,268	5,220	37,331	50,093	201,912
Research and Program Grants	9,689,501	-	201,885	-	-	9,891,386
Information Technology	-	209,482	10,467	61,531	95,150	376,630
Depreciation	-	58,455	2,923	17,129	28,698	107,205
Total Expenses	\$ 9,689,501	\$ 17,956,143	\$ 359,046	\$ 4,176,141	\$ 1,489,829	\$ 33,670,660

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED DECEMBER 31, 2020

	2020					Total
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	
Salaries, Wages and Payroll Taxes	\$ –	\$ 1,544,381	\$ 93,014	\$ 532,041	\$ 726,912	\$ 2,896,348
Employee Benefits	–	182,996	11,093	63,453	86,694	344,236
Professional Development	–	17,898	3,144	5,402	86,399	112,843
Professional Services	–	1,382,541	126,894	1,097,757	76,196	2,683,388
Printing and Postage:						
Office Printing and Postage	–	141,242	6,726	106,225	4,391	258,584
Direct Mail	–	544,700	–	722,044	–	1,266,744
Promotion and Advertising:						
In-Kind PSA Media	–	13,591,772	–	–	–	13,591,772
Advertising	–	1,149,232	–	854,542	–	2,003,774
Supplies and Equipment	–	158,291	10,633	154,359	2,775	326,058
Venue and Entertainment	–	2,029	1,919	13,407	263	17,618
Fees, Licenses and Permits	–	136,387	–	140,397	159,716	436,500
Insurance	–	–	–	–	26,019	26,019
Travel and Lodging	–	2,493	2,958	2,280	21	7,752
Facilities and Administration	–	107,233	6,371	43,654	46,409	203,667
Research and Program Grants	10,532,990	–	329,900	–	–	10,862,890
Information Technology	–	224,568	14,528	85,586	99,263	423,945
Depreciation	–	51,435	3,118	17,835	24,368	96,756
Total Expenses	<u>\$ 10,532,990</u>	<u>\$ 19,237,198</u>	<u>\$ 610,298</u>	<u>\$ 3,838,982</u>	<u>\$ 1,339,426</u>	<u>\$ 35,558,894</u>

CHILDREN'S CANCER RESEARCH FUND
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 546,180	\$ 684,822
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	107,205	96,756
Investment Gains	(639,122)	(401,890)
Note Payable Forgiveness	-	(582,200)
Non Current Grants Payable	(579,540)	3,363,030
Non Current Pledges Receivable	(169,504)	(286,405)
Changes in Assets and Liabilities:		
Pledges Receivable	(250,420)	52,362
Accrued Interest	(266)	303
Prepaid Expenses	98,041	(173,751)
Accounts Payable	(363,976)	192,356
Accrued Payroll	121,633	126,779
Other Accrued Liabilities	(11,353)	(11,353)
Unearned Event Revenue	(137,994)	98,794
Grants Payable	<u>3,824,706</u>	<u>2,327,354</u>
Net Cash Flows From Operating Activities	<u>2,545,590</u>	<u>5,486,957</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(202,063)	(109,866)
Purchases of Investments	(781,797)	(359,370)
Proceeds from Sale of Investments	<u>624,567</u>	<u>227,028</u>
Net Cash Flows From Investing Activities	<u>(359,293)</u>	<u>(242,208)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Note Payable	<u>-</u>	<u>582,200</u>
Net Cash Flows From Financing Activities	<u>-</u>	<u>582,200</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,186,297	5,826,949
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>9,742,449</u>	<u>3,915,500</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 11,928,746</u>	<u>\$ 9,742,449</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

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

Undesignated: 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 an Operating Fund which 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.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through October 10, 2022, the date the financial statements were available to be issued.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

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

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, 2021 and 2020.

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

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.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

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

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

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.

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.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

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

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.

In 2021, the Organization adopted the provisions of ASU 2020-07 which was issued to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization.

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.

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.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

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

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 \$3,268,000 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.

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, 2021 and interim periods within fiscal years beginning after December 15, 2022, 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.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments are stated at fair value at December 31, 2021 and 2020 and consisted of the following:

	<u>2021</u>	<u>2020</u>
Money Market Funds	\$ 122,768	\$ 52,189
Marketable Equity Securities	3,377,219	2,886,625
Non Marketable Equity Securities	75,000	-
Convertible Note Receivable	50,000	
Mutual Funds	108,132	129,983
Corporate Bonds, Maturity Date 2022 Through 2031	1,213,291	990,329
Government Bonds, Maturity Date 2025 Through 2029	72,412	76,568
Total	<u>\$ 5,018,822</u>	<u>\$ 4,135,694</u>

Net investment income for the year ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and Dividend Income	\$ 97,784	\$ 95,871
Investment Gains	639,122	401,890
Investment Fees	(20,233)	(16,417)
Total	<u>\$ 716,673</u>	<u>\$ 481,344</u>

Investments accounts were held as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
General Investment Account	\$ 4,004,437	\$ 3,390,188
Endowment Investment Account	889,385	745,506
Non Marketable Equity Securities - Oncoheroes Bioscience, Inc.	75,000	-
Convertible Note Receivable - OS Therapies, Inc.	50,000	
Money Market Reclassification to Cash Equivalents	(111,990)	(25,214)
Total	<u>\$ 4,906,832</u>	<u>\$ 4,110,480</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

The following tables, as of December 31, 2021 and 2020, 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, 2021:				
Money Market Funds	\$ 122,768	\$ 122,768	\$ -	\$ -
Marketable Equity Securities	3,377,219	3,377,219	-	-
Non Marketable Equity Securities	75,000	-	-	75,000
Convertible Note Receivable	50,000			50,000
Mutual Funds	108,132	108,132	-	-
Corporate Bonds	1,213,291	-	1,213,291	-
Government Bonds	72,412	-	72,412	-
Totals	<u>\$ 5,018,822</u>	<u>\$ 3,608,119</u>	<u>\$ 1,285,703</u>	<u>\$ 125,000</u>

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
December 31, 2020:				
Money Market Funds	\$ 52,189	\$ 52,189	\$ -	\$ -
Marketable Equity Securities	2,886,625	2,886,625	-	-
Mutual Funds	129,983	129,983	-	-
Corporate Bonds	990,329	-	990,329	-
Government Bonds	76,568	-	76,568	-
Totals	<u>\$ 4,135,694</u>	<u>\$ 3,068,797</u>	<u>\$ 1,066,897</u>	<u>\$ -</u>

The fair value maturities of the corporate bonds as of December 31, 2021 are as follows: 0-5 years - \$554,903 and 6-10 years - \$658,388. The fair value maturities of the government bonds as of December 31, 2021, are as follows; 0-5 years - \$14,532 and 6-10 years - \$57,880.

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.

In 2021, the Organization subscribed to a private placement of future stock in Oncoheroes Biosciences, Inc. which is a biotech company focused on advancing new therapies for childhood cancer. These future stock rights are non-marketable and as such classified based on Level 3 inputs. The Organization has not recorded any changes to the value of this future stock in 2021. The only activity for this investment security based on Level 3 inputs was the purchase of these rights for \$75,000 in 2021.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

In 2021, the Organization subscribed to a private placement of convertible note receivables in the amount of \$100,000 of OS Therapies, Inc. which is a biotech company focused on advancing new therapies for childhood cancer. This note receivable is due in May 2024 and bears interest at 6% annually. Upon the completion of an equity offering of at least \$10,000,000 by OS Therapies, the Note Receivable will convert to shares of stock in OS Therapies subject to various dilution provisions in the agreement. This convertible note receivable is non-marketable and as such classified based on Level 3 inputs. The Organization has recorded a \$50,000 valuation allowance on this investment recognizing dilution in their investment prior to any equity offering by OS Therapies, Inc.

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.

NOTE 3 - PLEDGES RECEIVABLE

Promises to give consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Pledges Receivable	<u>\$ 2,140,160</u>	<u>\$ 1,720,236</u>

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

2021	\$ 777,800
2022	534,576
2023	377,655
2024	240,000
2025	110,000
Thereafter	<u>200,000</u>
	2,240,031
Less Discount at 3%	<u>99,871</u>
Total	<u>\$ 2,140,160</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of December 31:

	<u>2021</u>	<u>2020</u>
Furniture	<u>\$ 317,126</u>	\$ 317,126
Office, Computer Equipment and Software	<u>954,567</u>	<u>752,504</u>
Total	<u>\$ 1,271,693</u>	<u>\$ 1,069,630</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 timing of annual cash receipts for event revenue and a concentration of contributions received related to certain events. 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 are typically adequate to meet all obligations the Organization has. In the event of additional liquidity need, there is a \$550,000 available line of credit.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 11,928,746	\$ 9,742,449
Pledges Receivable	777,800	527,380
Endowment and Long-Term Investments	4,906,832	4,110,480
Pledges Receivable - Non Current, Net	<u>1,362,360</u>	<u>1,192,856</u>
Total Financial Assets	<u>18,975,738</u>	<u>15,573,165</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Donor-Restricted - Purpose	1,612,737	302,231
Donor-Restricted - Endowment Funds	<u>889,385</u>	<u>745,506</u>
Less Financial Assets Held to Meet Donor Restrictions	<u>2,502,122</u>	<u>1,047,737</u>
Less Financial Assets not Available within One Year:		
Pledges Receivable - Non Current, Net	1,362,360	1,192,856
Board Designated Investments	<u>3,230,930</u>	<u>3,230,930</u>
Less Financial Assets not Available within One Year	<u>4,593,290</u>	<u>4,423,786</u>
Amounts Available for General Expenditure within One Year	<u>\$ 11,880,326</u>	<u>\$ 10,101,642</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 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 year ended December 31, 2021 and 2020.

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 years ended December 31, 2021, and 2020 are as follows:

	With Donor Restrictions		Total
	Restricted	Endowed	
Endowment Net Assets, December 31, 2019	\$ 139,738	\$ 482,842	\$ 622,580
Investment Income	72,926	—	72,926
Contributions	—	50,000	50,000
Endowment Net Assets, December 31, 2020	212,664	532,842	745,506
Investment Income	143,879	—	143,879
Contributions	—	—	—
Endowment Net Assets, December 31, 2021	<u>\$ 356,543</u>	<u>\$ 532,842</u>	<u>\$ 889,385</u>

NOTE 7 - GRANTS PAYABLE

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

2022	\$ 9,236,589
2023	1,875,393
2024	1,512,303
2025	100,000
2026	100,000
Thereafter	300,000
	<u>13,124,285</u>
Less Discount at 3%	<u>194,527</u>
Total	<u>\$ 12,929,758</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 \$550,000 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, 2021 and 2020.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS

Board designated net assets at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Board Designated:		
Operating Reserve	<u>\$ 3,230,930</u>	<u>\$ 3,230,930</u>

Net Assets With Donor Restrictions at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Net Assets With Donor Restrictions:		
Purpose Restricted Donations	\$ 1,612,737	\$ 302,231
Endowment Funds - Investment Income	356,543	212,664
Endowment Funds - Perpetual	<u>532,842</u>	<u>532,842</u>
Total With Donor Restrictions	<u>\$ 2,502,122</u>	<u>\$ 1,047,737</u>

Net assets with donor restrictions of \$1,035,792 and \$2,783,974 were released during the years ended December 31, 2021, and 2020 due to satisfaction of program restrictions.

NOTE 10 - NOTE PAYABLE

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. The Organization has reflected this loan under the guidance in the Accounting Standards Codification Section 470 (Debt). The Organization used all of the proceeds from the note for qualifying expenses and received approval of its application for the loan and was forgiven in 2020, at which time the Organization recognized a gain on the forgiveness of the debt in the Statement of Activities in 2020.

NOTE 11 - 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.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - LEASE COMMITMENTS (Continued)

Lease expense for the years ended December 31, 2021, and 2020 and future minimum lease commitments for the next five years, (excluding estimated operating expense), are as follows:

Lease Expense:		
2021		\$ 177,548
2020		178,464
Future Lease Commitments:		
2022		108,956
2023		112,094
2024		19,042
2025		—
2026		—
Total		<u>\$ 240,092</u>

NOTE 12 - 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 years ended December 31, 2021, and 2020:

	<u>2021</u>	<u>2020</u>
Education and Awareness	\$ 2,960,600	\$ 3,438,400
Fundraising	<u>2,771,500</u>	<u>3,043,400</u>
Totals	\$ 5,732,100	\$ 6,481,800

NOTE 13 - 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 \$112,359 and \$99,239 were made for the years ending December 31, 2021, and 2020.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - CONTRIBUTED NON-FINANCIAL ASSETS

The Organization records in-kind contributions at fair market value on the date of donation. In-kind contributions relate primarily to public service announcements (PSA's) aired on broadcast media space (television, print and social media) and included the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Educational Media Outreach - Television	\$ 10,003,447	\$ 13,195,251
Educational Media Outreach - Print Media	1,568,294	396,521
Educational Media Outreach - Social Media	404,412	-
Totals	<u>\$ 11,976,153</u>	<u>\$ 13,591,772</u>

Public Service Announcements (PSAs) are noncash donations made by broadcast stations. Each time a media outlet airs a PSA message for free it is viewed as having made an in-kind donation to the Organization and each free airing results in a reportable transaction that must be valued. These PSA's create revenue and result in a corresponding program expense as the free airtime received is immediately used to air a message that furthers the educational mission of the Organization. With a typical PSA campaign receiving hundreds to thousands of free airings on stations across the country and at different times of day, it is important to calculate the value of each airing separately, because the fair market value of each airing can vary widely. The Organization utilizes organizations to track these airings and compare them to purchased advertising space for like markets and audience demographics as part of their valuation process. It does this in monthly marketing reports provided to the Organization and annual reports that pull together the value of in-kind donations for contributed services received during the course of their fiscal year.

All donated services and assets were utilized by the Organization's educational programs. There were no donor-imposed restrictions associated with the donated services and assets.