

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC. AND AFFILIATES
Consolidated Financial Statements
December 31, 2019 and 2018
With Independent Auditor's Report

National Foundation for Cancer Research, Inc. and Affiliates
Table of Contents
December 31, 2019 and 2018

Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-17
Supplemental Information	
Independent Auditor's Report on Supplemental Information	18
Consolidating Statement of Financial Position	19
Consolidating Statement of Activities	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
National Foundation for Cancer Research, Inc. and Affiliates:

We have audited the accompanying consolidated financial statements of National Foundation for Cancer Research, Inc. and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Foundation for Cancer Research, Inc. and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 2 in the notes to consolidated financial statements, during 2019, the NFCR adopted the following Accounting Standards Updates (“ASU”): ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), ASU 2014-09, *Revenue Recognition* (Topic 606), and ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825). Our opinion is not modified with respect to this matter.

As disclosed in Note 16 of the consolidated financial statements, management is currently evaluating the introduction of the COVID-19 virus (the “virus”) to the United States during March 2020, and its impact on the Foundation, and has concluded that while it is reasonably possible that the virus could have a negative effect on the Foundation’s financial status, and changes therein, the specific impact is not readily determinable as of the date the consolidated financial statements were available to be issued. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, professional style.

July 29, 2020

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 1,564,083	\$ 1,239,233
Accounts receivable	201,228	110,797
Prepaid expenses and other assets	337,322	583,645
Fixed assets, net of accumulated depreciation and amortization	99,720	137,817
Investments	4,349,518	7,371,171
Amounts held in trusts by others	2,626,641	2,339,933
Right of use asset	<u>1,409,160</u>	<u>1,586,357</u>
 Total assets	 <u>\$ 10,587,672</u>	 <u>\$ 13,368,953</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 560,095	\$ 597,308
Research contracts and grants payable	577,279	393,865
Accrued compensation and benefits	193,418	164,350
Lease liability	<u>1,518,243</u>	<u>1,685,974</u>
Total liabilities	<u>2,849,035</u>	<u>2,841,497</u>
Net assets		
Without donor restrictions	4,266,636	7,371,962
With donor restrictions	<u>3,472,001</u>	<u>3,155,494</u>
Total net assets	<u>7,738,637</u>	<u>10,527,456</u>
 Total liabilities and net assets	 <u>\$ 10,587,672</u>	 <u>\$ 13,368,953</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Public support	\$ 7,548,673	\$ 704,482	\$ 8,253,155	\$ 9,676,822	\$ 1,057,861	\$ 10,734,683
Bequests	1,622,878	-	1,622,878	1,918,625	-	1,918,625
Mailing list rental	307,460	-	307,460	267,737	-	267,737
Net investment return	1,270,788	-	1,270,788	(226,835)	-	(226,835)
Change in value of split-interest agreements	(9,622)	286,711	277,089	(9,812)	(271,815)	(281,627)
Other revenue	8,932	-	8,932	14,936	-	14,936
Non-cash research support	107,405	-	107,405	167,146	-	167,146
Net assets released from restrictions	674,686	(674,686)	-	1,229,300	(1,229,300)	-
Total revenue and support	<u>11,531,200</u>	<u>316,507</u>	<u>11,847,707</u>	<u>13,037,919</u>	<u>(443,254)</u>	<u>12,594,665</u>
Expenses						
Program services						
Research	8,112,093	-	8,112,093	5,984,425	-	5,984,425
Public education and information	3,165,418	-	3,165,418	5,563,308	-	5,563,308
	<u>11,277,511</u>	<u>-</u>	<u>11,277,511</u>	<u>11,547,733</u>	<u>-</u>	<u>11,547,733</u>
Supporting services						
Fundraising	2,287,680	-	2,287,680	2,708,059	-	2,708,059
Management and general	1,071,335	-	1,071,335	1,180,314	-	1,180,314
	<u>3,359,015</u>	<u>-</u>	<u>3,359,015</u>	<u>3,888,373</u>	<u>-</u>	<u>3,888,373</u>
Total expenses	<u>14,636,526</u>	<u>-</u>	<u>14,636,526</u>	<u>15,436,106</u>	<u>-</u>	<u>15,436,106</u>
Change in net assets	(3,105,326)	316,507	(2,788,819)	(2,398,187)	(443,254)	(2,841,441)
Net assets						
Beginning of year	<u>7,371,962</u>	<u>3,155,494</u>	<u>10,527,456</u>	<u>9,770,149</u>	<u>3,598,748</u>	<u>13,368,897</u>
End of year	<u>\$ 4,266,636</u>	<u>\$ 3,472,001</u>	<u>\$ 7,738,637</u>	<u>\$ 7,371,962</u>	<u>\$ 3,155,494</u>	<u>\$ 10,527,456</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019					2018				
	Cancer Research	Public Education and Information	Fundraising	Management and General	Total	Cancer Research	Public Education and Information	Fundraising	Management and General	Total
Expenses										
Accounting and auditing	\$ -	\$ -	\$ -	\$ 50,987	\$ 50,987	\$ -	\$ -	\$ -	\$ 42,520	\$ 42,520
Bank and payroll service fees	-	-	-	115,050	115,050	-	-	-	116,137	116,137
Creative fees	-	1,908	1,817	-	3,725	-	10,178	8,605	-	18,783
Data services	6,910	304,672	211,127	2,717	525,427	4,747	448,062	207,699	5,589	666,097
Depreciation and amortization	16,950	10,963	3,516	6,666	38,095	16,756	9,905	3,527	5,753	35,941
Dues and subscriptions	4,072	95	-	17,345	21,512	6,513	-	73	24,126	30,712
Federal campaign	-	-	-	-	-	-	-	55	-	55
Insurance	16,369	10,589	3,405	6,458	36,821	17,991	10,666	3,809	6,183	38,649
Legal fees and expenses	34,566	-	-	28,126	62,692	11,111	-	-	122,893	134,004
Licenses and permits	-	-	-	21,473	21,473	-	-	-	25,930	25,930
Listing processing fees	-	26,098	18,755	-	44,853	-	34,519	16,527	-	51,046
List rental	-	101,776	51,337	-	153,113	-	373,562	132,390	-	505,952
Lockbox and data entry	-	53,479	36,918	-	90,397	-	82,068	39,921	-	121,989
Major gifts	-	-	9,464	-	9,464	-	-	19,024	807	19,831
Mail shop fees	-	120,174	482,910	-	603,084	-	259,004	404,004	-	663,008
Marketing outreach	-	-	-	-	-	-	-	-	128,720	128,720
Miscellaneous	-	7,557	-	171,293	178,850	-	-	-	8,463	8,463
Non-cash contributions	107,405	-	-	-	107,405	167,146	-	-	-	167,146
Occupancy	101,915	65,917	21,090	39,636	228,558	114,539	67,473	24,039	37,618	243,669
Office supplies and expenses	7,046	4,574	1,475	2,819	15,914	25,084	14,581	5,302	8,698	53,665
Other professional fees	248,252	99,565	66,468	8,188	422,473	248,216	107,580	61,919	113,032	530,747
Personnel	1,282,000	829,209	265,909	531,608	2,908,726	1,323,683	784,838	280,240	485,723	2,874,484
Planned giving	-	-	-	18,090	18,090	-	-	-	4,571	4,571
Postage	30	849,422	632,958	3,243	1,485,653	76	1,779,449	832,426	2,198	2,614,149
Printing and publication	-	631,068	458,521	8,143	1,097,732	-	1,511,012	649,477	2,633	2,163,122
Public education and website	4,725	41,269	18,910	2,373	67,277	-	58,962	14,890	4,014	77,866
Research contracts and grants	6,121,882	-	-	-	6,121,882	4,010,327	-	-	-	4,010,327
Telephone services	8,495	5,498	1,756	3,336	19,085	18,856	11,283	4,132	6,317	40,588
Travel and business meetings	151,476	1,585	1,344	33,784	188,189	19,380	166	-	28,389	47,935
	<u>\$ 8,112,093</u>	<u>\$ 3,165,418</u>	<u>\$ 2,287,680</u>	<u>\$ 1,071,335</u>	<u>\$ 14,636,526</u>	<u>\$ 5,984,425</u>	<u>\$ 5,563,308</u>	<u>\$ 2,708,059</u>	<u>\$ 1,180,314</u>	<u>\$ 15,436,106</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ (2,788,819)	\$ (2,841,441)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net investment return	(1,009,154)	520,757
Donated investment securities	(101,240)	(106,150)
Depreciation and amortization	38,095	35,941
(Increase) decrease in		
Accounts receivable	(90,431)	11,622
Prepaid expenses and other assets	246,323	(155,201)
Amounts held in trust by others	(286,708)	271,815
Right of use asset	177,197	(1,586,357)
Increase (decrease) in		
Accounts payable	(37,213)	(225,589)
Research contracts and grants payable	183,414	(441,800)
Accrued compensation and benefits	29,068	37,418
Lease liability	(167,731)	1,685,974
Net cash used in operating activities	<u>(3,807,199)</u>	<u>(2,793,011)</u>
Investing activities		
Purchases of investments	(136,916)	(198,013)
Sales of investments	4,268,965	1,517,019
Purchases of fixed assets	-	(50,440)
Net cash provided by investing activities	<u>4,132,049</u>	<u>1,268,566</u>
 Net change in cash	 324,850	 (1,524,445)
Cash		
Beginning of year	<u>1,239,233</u>	<u>2,763,678</u>
End of year	<u>\$ 1,564,083</u>	<u>\$ 1,239,233</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes	<u>\$ 10,825</u>	<u>\$ 1,555</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

1. ORGANIZATION

The National Foundation for Cancer Research, Inc. (the "NFCR") was incorporated in Massachusetts in 1973 to support basic science cancer research projects including the theories of Dr. Albert Szent-Gyorgyi, who discovered Vitamin C. The NFCR is dedicated to supporting "high risk/high reward" cancer research and public education relating to prevention, early diagnosis, better treatments and, ultimately, a cure for cancer.

The NFCR established five tax exempt entities: The Cancer Research Laboratories Foundation, Inc. (established in 1996), the Cancer Research Coalition (established in 1997), the Darwin Foundation (formerly, the Consortium for Clinical Diagnostics ("CCDx"), NFCR Western Chapter, and NFCR Mid-Atlantic Chapter. The Cancer Research Laboratories Foundation, Inc. and the Cancer Research Coalition were inactive and had no net assets for the years ended December 31, 2019 and 2018. CCDx was incorporated in March 2003, as tax-exempt, supporting organization to the NFCR. The Western and Mid-Atlantic chapters were created in 2011 to assist with fundraising.

CCDx is a partnership of scientists at research institutions and biopharmaceutical companies dedicated to facilitating genomic research and developing new diagnostic tools. CCDx provides a centralized infrastructure and expertise in genomics and molecular imaging as well as translational medicine. On July 25, 2016, the name of CCDx was legally changed to Darwin Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the National Foundation for Cancer Research, Inc. and Affiliates (collectively, the Foundation) have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Consolidation

The consolidated financial statements include the accounts and transactions of the NFCR, and the accounts and transactions of NFCR Western Chapter, NFCR Mid-Atlantic Chapter, and the Darwin Foundation. All significant intercompany transactions and accounts have been eliminated.

Accounting Estimates

The preparation of consolidated 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 the disclosure of contingencies, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Accounts Receivable

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Receivables consist mainly of amounts due from the rental of the Foundation's mailing list. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Management believes the amounts in accounts receivable at December 31, 2019 and 2018 are fully collectible.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Net Assets

Net assets arising from contributions are reported with or without donor restrictions based on stipulations of the donor. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions of long-lived assets and contributions of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support With and Without Donor Restrictions

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenues without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or satisfactions of purpose or time restrictions on net assets are reported as net assets released from restrictions.

Bequests

The Foundation is the beneficiary under various wills and trust agreements. The Foundation records such amounts when notified that the estate has cleared probate.

Prepaid Expenses

Prepaid expenses generally include insurance, rent, and unused postage paid prior to December 31, but relate to future periods.

Fixed Assets

Fixed assets are capitalized at cost. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life (Years)</u>
Office furniture and equipment	5-10
Computers, software and equipment	3-10

Leasehold improvements are amortized over the remaining term of the lease.

Investments and Investment Income

Investments in equity securities are stated at fair value. Investments in debt securities are stated at amortized cost. The gains and losses (unrealized and realized) in the fair value of investments are comprised of the net changes in the fair values of investments bought, sold and held during the year and are recognized in the year in which they occur.

Purchases and sales of investments are reflected on a trade date basis. Dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Amounts Held in Trust by Others

Amounts held in trust by others include perpetual trusts and interests in charitable remainder trusts. The perpetual trusts are stated at fair value of the assets using the closing price reported of like assets, corroborated market data, indices and/or yield curves. The NFCR's interests in charitable remainder trusts are stated at fair value using the closing price reported of like assets, corroborated market data, indices and/or yield curves, representing the estimated amount to be received at the termination of the trusts.

Mailing List Rental Revenue

Revenue from mailing list rentals is recognized at the time these client lists are mailed out to the entities that requested them. Mailing list rental revenue is recorded net of the fee charged by the mailing list broker.

Contributions

Public support is recorded as revenue when contributions, which include unconditional promises to give (pledges), are unconditionally committed. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenues without donor restrictions.

Research Contracts and Grants

The NFCR awards both research contracts and grants.

Research Contracts

The NFCR enters into agreements with universities and other institutions to conduct scientific research on their premises, in accordance with policies established by the board of directors of the NFCR. Research contracts payable represents research expenses incurred during the years ended December 31, 2019 and 2018 under these contracts, but not yet paid to the institutions by December 31, 2019 and 2018. The NFCR recognizes grants made, including unconditional promises, as expenses in the period made. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized in expense until the conditions on which they depend have been substantially met.

Grants

The NFCR awards certain research grants to selected scientists to fund their research programs in accordance with policies established by the board of directors of the NFCR. The NFCR records these as expenses once the grants are awarded. Grants payable represents such awards that have not yet been paid to the respective scientists by December 31, 2019 and 2018.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and services are summarized on a functional basis on the consolidated statements of activities. All such costs are allocated based on estimates of time and specific utilization. Accordingly, certain costs have been allocated between the programs and services benefited on the basis of time records and other support, or by estimates made by management. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation as reflected on the consolidated statements of functional expenses.

New Accounting Pronouncements Adopted in Current Year

Contribution Revenue Recognition

As of January 1, 2019, the Foundation adopted ASU 2018-08 – *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transaction or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of this ASU had no impact on current or prior periods.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Revenue Recognition

Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* was issued by the Financial Accounting Standards Board (“FASB”) in May 2014 and is effective for the fiscal year beginning January 1, 2019 with early adoption permitted. The new revenue accounting standard requires recognition of revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the NFCR expects to be entitled in exchange for those goods or services. The new standard supersedes all U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires significant additional disclosures, when applicable. The adoption of this ASU had no impact on current or prior periods.

Financial Instruments

During 2019, the Foundation adopted ASU 2016-01, *Financial Instruments* (Topic 825). This ASU required all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). In addition, the amendments in this ASU eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The adoption of this ASU had no impact on current or prior periods results.

3. TAX STATUS

The NFCR has been recognized by the Internal Revenue Service (“IRS”) as exempt from income tax under Internal Revenue Code Section 501(c)(3) and related state statutes, except for income tax on unrelated business income, if any. It qualifies as a public charity under Section 509(a)(1). The Darwin Foundation has been recognized by the IRS as exempt from income tax under Section 501(c)(3) and related state statutes, except for income tax on unrelated business income, if any. It is a supporting organization to the NFCR under Section 509(a)(3). NFCR Western Chapter, a California nonprofit corporation, and NFCR Mid-Atlantic Chapter, a District of Columbia nonprofit corporation, were added in 2011 by the NFCR to its roster of subordinate organizations covered under the group exemption ruling, dated April 26, 2010, issued by the Internal Revenue Service to the NFCR. Both chapters are exempt from federal and state income tax, except for income tax on unrelated business income, as organizations described under section 501(c)(3) of the Internal Revenue Code and related state statutes.

Accounting principles generally accepted in the United States of America require management to evaluate income tax positions taken and accrue an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken and concluded that as of December 31, 2019 there are no uncertain positions taken or expected to be taken that would require recognition in the consolidated financial statements. The NFCR and affiliates are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. In addition, there have been no tax related interest or penalties for the periods presented in these consolidated financial statements. Should such penalties and interest be incurred, the Foundation’s policy is to recognize them as general and administrative expenses on the consolidated statements of activities.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

4. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019 and 2018, all net assets with donor restrictions are restricted to specific types of cancer research or they are subject to donor time restrictions, as follows:

	<u>2019</u>	<u>2018</u>
Net assets subject to time restrictions		
imposed by charitable trusts	\$ 762,449	\$ 732,889
Net assets subject to restrictions on use	518,527	481,099
Net assets perpetual in nature	<u>2,191,025</u>	<u>1,941,506</u>
	<u>\$ 3,472,001</u>	<u>\$ 3,155,494</u>

Net assets released from restriction for the years ended December 31, 2019 and 2018, represent expenditures for specific types of cancer research that have accomplished the imposed restrictions.

Perpetual in nature, net assets consist of perpetual trusts for which the NFCR is named as a beneficiary and values are based upon the fair market value of the securities on the 2019 and 2018 year end statements.

5. INVESTMENTS

At December 31, 2019 and 2018, the NFCR's consolidated investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 99,566	\$ 401,105
Corporate bonds	678,760	1,230,093
U.S. government bonds	528,291	938,958
Common and preferred stocks	2,171,311	3,432,063
Mutual funds	871,590	1,119,514
Exchange traded funds	<u>-</u>	<u>249,438</u>
	<u>\$ 4,349,518</u>	<u>\$ 7,371,171</u>

The NFCR's consolidated net investment return for the years ended December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 261,634	\$ 293,922
Realized gains	507,979	430,845
Unrealized gains (losses)	550,275	(877,751)
Investment management fees	<u>(49,100)</u>	<u>(73,851)</u>
	<u>\$ 1,270,788</u>	<u>\$ (226,835)</u>

Investment management fees for the years ended December 31, 2019 and 2018 are all external investment fees.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

6. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles in the United States of America define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a fair value reporting hierarchy and define three broad levels of inputs (the assumptions that market participants would use in pricing the asset or liability) as noted below:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The valuation methodology was not changed during the years ended December 31, 2019 and 2018.

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 in or out of Levels 1, 2 or 3.

The following is a description of the valuation methodologies used for assets measured at fair value:

U.S. government bonds, exchange traded funds, mutual funds and common and preferred stocks are valued based on quoted market prices.

Corporate bonds are valued using the closing price reported of like assets, corroborated market data, indices and/or yield curves.

Money market funds are valued at cost, which approximates fair value.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

As of December 31, 2019 and 2018, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2019			Total
	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ -	\$ 99,566	\$ -	\$ 99,566
Corporate bonds	-	678,760	-	678,760
U.S. government bonds	528,291	-	-	528,291
Common and preferred stocks	2,171,311	-	-	2,171,311
Mutual funds	871,590	-	-	871,590
Exchange traded funds	-	-	-	-
Amounts held in trust by others	-	2,626,641	-	2,626,641
	<u>\$ 3,571,192</u>	<u>\$ 3,404,967</u>	<u>\$ -</u>	<u>\$ 6,976,159</u>

	2018			Total
	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ -	\$ 401,105	\$ -	\$ 401,105
Corporate bonds	-	1,230,093	-	1,230,093
U.S. government bonds	938,958	-	-	938,958
Common and preferred stocks	3,432,063	-	-	3,432,063
Mutual funds	1,119,514	-	-	1,119,514
Exchange traded funds	249,438	-	-	249,438
Amounts held in trust by others	-	2,339,933	-	2,339,933
	<u>\$ 5,739,973</u>	<u>\$ 3,971,131</u>	<u>\$ -</u>	<u>\$ 9,711,104</u>

7. FIXED ASSETS

As of December 31, 2019 and 2018, the Foundation's fixed assets consist of the following:

	2019	2018
Office furniture and equipment	\$ 146,386	\$ 146,386
Computer equipment and software	214,547	214,547
Leasehold improvements	26,890	26,890
	387,823	387,823
Accumulated depreciation and amortization	(288,103)	(250,008)
	<u>\$ 99,720</u>	<u>\$ 137,815</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$38,095 and \$35,941, respectively.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

8. AMOUNTS HELD IN TRUST BY OTHERS

The Foundation is the beneficiary of several split-interest agreements, including irrevocable perpetual trusts and charitable remainder trusts, as described in Internal Revenue Code Section 664. The NFCR does not exercise control over the trusts' assets, which are held and administered by third-party trustees.

Under the perpetual trusts, the donors established and funded trusts whereby the Foundation is the beneficiary of the income on the trust assets as earned in perpetuity with no restrictions on use. Under the charitable trusts, the donors established and funded trusts whereby the Foundation receives income distributions from the trust and will receive a percentage of trust assets at the termination of the trust.

The fair value of perpetual trusts at December 31, 2019 and 2018, is \$2,171,033 and \$1,921,513, respectively. The increase (decrease) in the beneficial interest in perpetual trusts for the years ended December 31, 2019 and 2018 is \$249,523 and \$(223,251), respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

The Foundation's interests in charitable remainder trusts at December 31, 2019 and 2018 is \$455,608 and \$418,420, respectively. The increase (decrease) in the beneficial interest in charitable remainder trusts for the years ended December 31, 2019 and 2018 is \$37,188 and \$(48,564), respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

9. DESIGNATED FOR RESEARCH CONTRACTS

At December 31, 2019 and 2018, the board of directors has designated net assets without donor restrictions, in order to fulfill contract commitments to universities and institutions, for research amounting to \$3,432,500 and \$6,062,000, respectively

10. LEASE COMMITMENTS

The NFCR is the lessee in a lease contract where they obtain the right to control the asset. Operating lease right-of-use ("ROU") assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, both of which are recognized based on the present value of future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated statements of financial position and are expensed on a straight-line basis over the lease term on the consolidated statements of activities. The renewal options have not been included in the lease liability calculation, since it is not reasonably certain that they will be exercised, based on general uncertainties that come with the passage of time.

The NFCR leased office and storage space under a noncancelable operating lease that came to term on February 28, 2018. Under this lease, base monthly rent is \$16,224, increases each year by 3% and includes two months of free rent each lease year. Beginning March 1, 2018, the NFCR leased office space under a noncancelable operating lease that expires January 31, 2027. Under this lease, base monthly rent is \$17,232 and increases each year by 2.75%.

The remaining lease term is 8 years and the discount rate used is 2.75% to determine the remaining operating lease liability.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

As of December 31, 2019, the maturity of the operating lease liabilities for the lease for the years ending December 31, are as follows:

2020	\$ 217,810
2021	223,815
2022	229,957
2023	236,293
2024	242,767
Thereafter	<u>527,138</u>
Total operating lease payments	1,677,780
Less: Imputed interest	<u>(159,537)</u>
Total operating lease liabilities	<u>\$ 1,518,243</u>

Occupancy expense for the years ended December 31, 2019 and 2018, was \$228,558 and \$243,669, respectively.

11. RETIREMENT PLAN

The NFCR offers a 401(k) Savings Plan for the benefit of its employees. Employees are eligible to participate in the plan after 3 months of employment. Under the plan, the NFCR makes a 3% annual safe harbor contribution and an annual discretionary contribution for eligible employees. The discretionary contribution percentage for officers is determined by the board of directors, for senior managers is 12% and for all other employees is 9% of their respective base salaries. Effective December 14, 2017, the discretionary contributions for all new hires was reduced to 5% of their respective base salaries.

The safe harbor and discretionary contribution that the NFCR makes to the plan is unrelated to whether an employee makes an elective deferral in a particular year. For the years ended December 31, 2019 and 2018, retirement expense was \$264,123 and \$241,863, respectively.

12. ALLOCATION OF JOINT COSTS

For more than 40 years, the Foundation has been communicating with supporters, donors and prospective donors by postal mail, email, website and other means, to educate the public about cancer and uphold its mission, and at the same time to provide fundraising opportunities. The costs related to these joint activities are allocated in part to program expenses and in part to fundraising expenses, in accordance with AICPA's Statement of Position ("SOP") 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*, which is now part of FASB ASC Subtopic 958-720, *Not-for-Profit Entities—Other Expenses*.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

To properly allocate joint costs, the Foundation used a rational and systematic method, that was applied consistently. All joint costs are proportionally allocated to the program and fundraising based on the content of informational materials and fundraising appeal, such as lines or square inches of the two components. For the years ended December 31, 2019 and 2018, the Foundation incurred joint costs of \$3,804,474 and \$6,740,146, respectively, which were allocated as follows:

	<u>2019</u>	<u>2018</u>
Public education and information	\$ 2,225,557	\$ 4,664,361
Fundraising	<u>1,578,917</u>	<u>2,075,785</u>
	<u>\$ 3,804,474</u>	<u>\$ 6,740,146</u>

13. CONCENTRATIONS

Due to various risks (e.g., interest rate, market, credit) associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Financial instruments that subject the Foundation to concentrations of credit risk include cash which is invested with financial institutions. While the Foundation attempts to limit their financial exposure, their deposit balances with financial institutions may, at times, exceed the limits insured by agencies of the U.S. government. The Foundation has not experienced, and management does not anticipate experiencing any credit losses on such deposits.

14. NON-CASH RESEARCH SUPPORT

Research contracts with universities and other institutions typically call for the reimbursement of most out-of-pocket research costs; however, many institutions also agree to donate certain chemicals, materials, equipment, and supercomputer time. These donations, provided by the institutions, become a normal part of the research program and would ordinarily be costs incurred by the NFCR. These donated amounts are recognized as non-cash research support revenue and research program expenses on the consolidated statements of activities.

Control over these donated goods is provided through on-location project directors, who are responsible to the NFCR for the research projects at the institutions.

The effect of these donations is to allow the NFCR to expand the research that would otherwise be performed under the contract. The institutions provide the NFCR with a measurable basis in order to quantify the estimated fair value of the donated property.

For the years ended December 31, 2019 and 2018, noncash support consisted of the following:

	<u>2019</u>	<u>2018</u>
Contract rights for use of supercomputer time	\$ 20,000	\$ 20,000
Chemicals, materials, and equipment	<u>87,405</u>	<u>147,146</u>
	<u>\$ 107,405</u>	<u>\$ 167,146</u>

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

15. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, total the following at December 31:

	2019		
	Consolidated Statement of Financial Position		Financial Assets Available for General Expenditure
	Restricted Funds	Restricted Funds	Restricted Funds
Cash	\$ 1,564,083	\$ 591,733	\$ 972,350
Investments	4,349,518	-	4,349,518
Amounts held in trusts by others	<u>2,626,641</u>	<u>2,626,641</u>	<u>-</u>
	8,540,242	3,218,374	5,321,868
Other assets		<u>253,627</u>	
Net assets with donor restrictions		<u>\$ 3,472,001</u>	

	2018		
	Consolidated Statement of Financial Position		Financial Assets Available for General Expenditure
	Restricted Funds	Restricted Funds	Restricted Funds
Cash	\$ 1,239,233	\$ 562,173	\$ 677,060
Investments	7,371,171	-	7,371,171
Amounts held in trusts by others	<u>2,339,933</u>	<u>2,339,933</u>	<u>-</u>
	10,950,337	2,902,106	8,048,231
Other assets		<u>253,388</u>	
Net assets with donor restrictions		<u>\$ 3,155,494</u>	

At December 31, 2019 and 2018, the NFCR had \$5,321,868 and \$8,048,231, respectively of financial assets available to meet cash needs for general expenditures. Assets available consists of cash of \$972,350 and \$677,061, and investments of \$4,349,518 and 7,371,171, at December 31, 2019 and 2018, respectively. The difference between cash, investments, and amounts held in trust by others per above and the balances per the consolidated statement of financial position is due to amounts that are contractually restricted and/or donor restricted, which are not available for general expenditure. The NFCR has a goal to maintain financial assets to meet 120 days of normal operating expenses which are, on average, \$800,000 per month. The board has designated \$3,432,500 for the purpose of the translational research grant.

16. SUBSEQUENT EVENT

Management is currently evaluating the impact of the COVID-19 virus (“the virus”) on the Foundation and the potential for a reduction in public support. While it is reasonably possible that the virus could have a negative effect on the Foundation’s financial condition and results of operations, the specific impact is not readily determinable as of the date of these consolidated financial statements.

On April 22, 2020, the Foundation received a loan of \$400,000 pursuant to the terms of the Paycheck Protection Program (“PPP”) under the Coronavirus, Aid, Relief and Economic Security Act (the “CARES Act”). The loan proceeds are expected to be forgiven in 2020.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors,
National Foundation for Cancer Research, Inc. and Affiliates:

We have audited the consolidated financial statements of National Foundation for Cancer Research, Inc. as of and for the year ended December 31, 2019, and our report thereon dated July 29, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

William Smith + Brown, PC

July 29, 2020

National Foundation for Cancer Research, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2019

	<u>NFCR</u>	<u>Darwin Foundation</u>	<u>NFCR Western Chapter</u>	<u>NFCR Mid-Atlantic Chapter</u>	<u>Eliminations</u>	<u>Total</u>
Assets						
Cash	\$ 1,531,154	\$ 32,929	\$ -	\$ -	\$ -	\$ 1,564,083
Accounts receivable	156,752	131,762	-	-	(87,286)	201,228
Prepaid expenses and other assets	337,322	-	-	-	-	337,322
Fixed assets, net of accumulated depreciation and amortization	99,720	-	-	-	-	99,720
Investments	4,349,518	-	-	-	-	4,349,518
Amounts held in trust by others	2,626,641	-	-	-	-	2,626,641
Right of use asset	<u>1,409,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409,160</u>
 Total assets	 <u>\$ 10,510,267</u>	 <u>\$ 164,691</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (87,286)</u>	 <u>\$ 10,587,672</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 691,858	\$ -	\$ (21,014)	\$ (23,463)	\$ (87,286)	\$ 560,095
Research contracts and grants payable	577,279	-	-	-	-	577,279
Accrued compensation and benefits	193,418	-	-	-	-	193,418
Lease liability	<u>1,518,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,518,243</u>
Total liabilities	<u>2,980,798</u>	<u>-</u>	<u>(21,014)</u>	<u>(23,463)</u>	<u>(87,286)</u>	<u>2,849,035</u>
Net assets						
Without donor restrictions	4,057,468	164,691	21,014	23,463	-	4,266,636
With donor restrictions	<u>3,472,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,472,001</u>
Total net assets	<u>7,529,469</u>	<u>164,691</u>	<u>21,014</u>	<u>23,463</u>	<u>-</u>	<u>7,738,637</u>
 Total liabilities and net assets	 <u>\$ 10,510,267</u>	 <u>\$ 164,691</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ (87,286)</u>	 <u>\$ 10,587,672</u>

See Independent Auditor's Report on Supplemental Information.

National Foundation for Cancer Research, Inc. and Affiliates
Consolidating Statement of Activities
Year Ended December 31, 2019

	NFCR	Darwin Foundation	NFCR Western Chapter	NFCR Mid-Atlantic Chapter	Elimination	Total
Revenue and support						
Public support	\$ 7,436,673	\$ 112,000	\$ -	\$ -	\$ -	\$ 7,548,673
Bequests	1,622,878	-	-	-	-	1,622,878
Mailing list rental	307,460	-	-	-	-	307,460
Net investment return	1,270,788	-	-	-	-	1,270,788
Changes in value of split-interest agreements	(9,622)	-	-	-	-	(9,622)
Other revenue	8,932	-	-	-	-	8,932
Non-cash research support	107,405	-	-	-	-	107,405
Net assets released from restrictions	674,686	-	-	-	-	674,686
Total revenue and support	<u>11,419,200</u>	<u>112,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,531,200</u>
Expenses						
Program services						
Research	7,978,753	133,340	-	-	-	8,112,093
Public education and information	3,165,418	-	-	-	-	3,165,418
	<u>11,144,171</u>	<u>133,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,277,511</u>
Supporting services						
Fundraising	2,287,680	-	-	-	-	2,287,680
Management and general	1,070,964	-	371	-	-	1,071,335
	<u>3,358,644</u>	<u>-</u>	<u>371</u>	<u>-</u>	<u>-</u>	<u>3,359,015</u>
Total expenses	<u>14,502,815</u>	<u>133,340</u>	<u>371</u>	<u>-</u>	<u>-</u>	<u>14,636,526</u>
Change in net assets without donor restrictions	<u>(3,083,615)</u>	<u>(21,340)</u>	<u>(371)</u>	<u>-</u>	<u>-</u>	<u>(3,105,326)</u>
Change in net assets with donor restrictions						
Revenue and support						
Public support	704,482	-	-	-	-	704,482
Change in value of split-interest agreements	286,711	-	-	-	-	286,711
Net assets released from restrictions	(674,686)	-	-	-	-	(674,686)
Change in net assets with donor restrictions	<u>316,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,507</u>
Change in net assets	(2,767,108)	(21,340)	(371)	-	-	(2,788,819)
Net assets						
Beginning of year	10,296,577	186,031	21,385	23,463	-	10,527,456
End of year	<u>\$ 7,529,469</u>	<u>\$ 164,691</u>	<u>\$ 21,014</u>	<u>\$ 23,463</u>	<u>\$ -</u>	<u>\$ 7,738,637</u>

See Independent Auditor's Report on Supplemental Information.