

PEDIATRIC CANCER RESEARCH FOUNDATION A NONPROFIT ORGANIZATION

FINANCIAL STATEMENTS

December 31, 2020
With Comparative Totals for 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pediatric Cancer Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Pediatric Cancer Research Foundation, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pediatric Cancer Research Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Pediatric Cancer Research Foundation as of and for the year ended December 31, 2019, and we have expressed an unmodified opinion on those statements in our report dated May 14, 2020. The summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material respects with the 2019 audited financial statements from which it has been derived.

Winder, Inc.

Irvine, California
June 11, 2021

PEDIATRIC CANCER RESEARCH FOUNDATION

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

ASSETS

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,982,807	\$ 2,448,231
Investments	-	400,000
Contributions receivable	39,662	141,286
Other assets	99,732	23,483
Property and equipment, net	<u>11,803</u>	<u>27,020</u>
TOTAL ASSETS	<u>\$ 3,134,004</u>	<u>\$ 3,040,020</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 25,199	\$ 53,326
Grants payable	295,571	696,689
Deferred revenue	<u>35,034</u>	<u>33,570</u>
TOTAL LIABILITIES	355,804	783,585
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,778,200</u>	<u>2,256,435</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,134,004</u>	<u>\$ 3,040,020</u>

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

PEDIATRIC CANCER RESEARCH FOUNDATION

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	For the Year Ended December 31,	
	2020	2019
Revenue:		
General public support	\$ 2,426,508	\$ 1,703,148
Special events, net of direct costs of \$336,318 in 2020 and \$1,293,039 in 2019	706,747	1,258,757
CARES Act income	100,500	-
Total revenue and support	3,233,755	2,961,905
Expenses:		
Program services:		
Pediatric cancer research	2,126,954	2,424,143
Support services:		
Management and general	171,832	214,946
Fundraising	413,204	416,312
Total expenses	2,711,990	3,055,401
Change in net assets	521,765	(93,496)
Net assets without donor restrictions, beginning of year	2,256,435	2,349,931
Net assets without donor restrictions, end of year	\$ 2,778,200	\$ 2,256,435

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

PEDIATRIC CANCER RESEARCH FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	<u>Program Services</u>	<u>Support Services</u>			
	<u>Pediatric Cancer Research</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Grants for pediatric cancer research	\$ 1,962,656	\$ -	\$ -	\$ 1,962,656	\$ 2,207,324
Other program services and support	6,362	-	-	6,362	20,985
Salaries and related costs	141,185	83,869	230,978	456,032	404,621
Postage, printing, and supplies	-	7,801	16,385	24,186	35,947
Rent and utilities	-	30,586	40,879	71,465	57,676
Professional services	15,498	24,466	32,520	72,484	112,947
Public relations and marketing	-	-	33,988	33,988	55,600
Credit card fees	-	-	24,950	24,950	18,923
Insurance	631	6,260	4,240	11,131	13,340
Miscellaneous	289	15,129	18,101	33,519	102,520
Depreciation	333	3,721	11,163	15,217	25,518
Total expenses	<u>\$ 2,126,954</u>	<u>\$ 171,832</u>	<u>\$ 413,204</u>	<u>\$ 2,711,990</u>	<u>\$ 3,055,401</u>

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

PEDIATRIC CANCER RESEARCH FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	For the Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 521,765	\$ (93,496)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	15,217	25,518
Loss on disposal of property and equipment	-	18,266
Forgiveness of Paycheck Protection Program loan	(92,500)	-
Changes in assets and liabilities:		
Contributions receivable	101,624	382,392
Other assets	(76,249)	33,578
Accounts payable and accrued expenses	(28,127)	(65,686)
Grants payable	(401,118)	332,308
Deferred revenue	1,464	2,342
Net Cash Provided By Operating Activities	42,076	635,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and maturity of investments	400,000	600,000
Purchases of investments	-	(250,000)
Net Cash Provided By Investing Activities	400,000	350,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	92,500	-
Net Cash Provided By Financing Activities	92,500	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	534,576	985,222
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,448,231	1,463,009
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,982,807	\$ 2,448,231

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

PEDIATRIC CANCER RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

NOTE 1 – Summary of Significant Accounting Policies

Organization and Business Activity of the Reporting Entity

Pediatric Cancer Research Foundation (the Foundation) is a nonprofit public benefit corporation incorporated on December 2, 1982 under the laws of the state of California. The Foundation is headquartered in Irvine, California. The Foundation is primarily engaged in fundraising activities and awarding grants to organizations for the purpose of funding pediatric cancer research.

Basis of Presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which involves the application of accrual accounting; consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation has no net assets with donor restrictions as of December 31, 2020 and 2019.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. As restrictions are satisfied, 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. When donor restrictions on contributions are satisfied in the same period as the receipt of the contribution, the Foundation reports both the revenue and the related expense in the net assets without donor restrictions category.

Net assets with donor restrictions also includes net assets subject to donor-imposed restrictions that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior-Period Comparative Information

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

The Foundation includes in cash all cash accounts, certificates of deposit, money market accounts, and all highly liquid investments with original maturities of three months or less.

Investments

The Foundation's investments are comprised of certificates of deposit. Certificates of deposit with original maturities of less than 90 days are included with cash and cash equivalents. Certificates of deposit with original maturities of greater than 90 days are included in investments. Certificates of deposit are recorded at cost, which approximates fair value.

Contributions Receivable

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the collectability of the receivables. It is the Foundation's policy to write off uncollectible receivables when management determines the receivable will not be collected. During the year ended December 31, 2020, write-offs of receivables totaled \$5,420. There were no write-offs during the year ended December 31, 2019. At December 31, 2020 and 2019, management considers receivables fully collectible.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Other Assets

Certain payments to vendors reflect costs or deposits applicable to future accounting periods, are recorded as prepaid items, and are included in other assets in the statement of financial position.

Property and Equipment

Property and equipment are stated at cost if purchased and fair value if donated, and depreciated using the straight-line method over the estimated useful lives (3-5 years) of the assets. Leasehold improvements are amortized over the lesser of their useful lives or the lease term. Expenditures for repairs and maintenance are charged to supporting services when incurred; renewals and betterments are capitalized. Upon sale or disposal of property and equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the statement of activities and changes in net assets.

Impairment of Long-Lived Assets

The Foundation's long-lived assets include property and equipment. In accordance with generally accepted accounting principles, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flows from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related asset. As of December 31, 2020 and 2019, management did not identify any material impairment of the Foundation's long-lived assets.

Grants Payable

Grants payable consists of amounts awarded but not paid as of December 31, 2020 and 2019.

Due to grant agreements requiring certain concessions, budgets, and forecasts from the grantees, grants are considered to have been awarded at the time the Foundation and the grantee have executed the grant agreement for the first year of the grant period. Subsequent years of multi-year grants are considered to have been awarded upon receipt of certain reporting requirements from grantee organizations, as provided in the letters of agreements.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents funds received in advance of special events to be held in the subsequent year.

Revenue Recognition

Contributions are recognized as revenue when the Foundation receives an unconditional “promise to pay” from the donor.

All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as additions to net assets with donor restrictions. When a restriction has been satisfied, the related 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 restriction.

Revenue from special events is recognized when the activities are held.

Donated Services and Materials

The Foundation receives a substantial amount of services donated by individuals interested in the Foundation’s objectives. Services provided generally involve the contribution of time to organize and administer fundraising campaigns and to provide necessary services. The value of such volunteers’ services has not been reflected in the accompanying financial statements since it does not meet the criteria for revenue recognition.

Donated materials and assets are recorded at their fair value at the date of the gift. Donated materials and assets related to special events aggregated \$112,914 and \$503,510 for the years ended December 31, 2020 and 2019, respectively, and are included with special events in the statement of activities and changes in net assets.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets, and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Depreciation	Usage by square footage
Professional services	Time and effort

Income Taxes

The Foundation qualifies as a tax-exempt foundation under Section 501(c)(3) of the Internal Revenue Code and under the corresponding tax codes of California. The Foundation is also registered in the states of New York, New Jersey, and Illinois.

FASB ASC Topic 740, Income Taxes, requires management to evaluate the tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation and has concluded that, as of December 31, 2020, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by the taxing jurisdictions. The statute of limitations for federal and California purposes is generally three and four years, respectively.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. The FASB has approved a deferral of the effective date of Topic 842 until annual reporting periods beginning after December 15, 2021 (fiscal year ending December 31, 2022 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021 (fiscal year ending December 31, 2022 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reclassification of Prior-Period Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Subsequent Events

Management has evaluated the impact of any subsequent events through June 11, 2021, the date on which the accompanying financial statements were available to be issued.

In February 2021, the Company received a second Paycheck Protection Program (PPP) loan in the amount of \$82,933, with entire principal and unpaid interest at 1% due February 2026. The second PPP loan includes the same general terms as the first PPP loan regarding forgiveness as long as the proceeds are used for qualifying purposes and certain conditions are met.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 2 – Liquidity and Availability of Resources

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

Financial assets at year-end:		
Cash and cash equivalents	\$	2,982,807
Contributions receivable		39,662
Economic Injury Disaster		
Loan Advance receivable		<u>8,000</u>
	\$	<u>3,030,469</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – Property and Equipment

Property and equipment is comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 12,566	\$ 12,566
Computer software	29,000	29,000
Vehicles	16,785	16,785
Leasehold improvements	<u>3,064</u>	<u>3,064</u>
Total property and equipment	61,415	61,415
Less accumulated depreciation	<u>(49,612)</u>	<u>(34,395)</u>
Total property and equipment, net	<u>\$ 11,803</u>	<u>\$ 27,020</u>

For the years ended December 31, 2020 and 2019, the Foundation recorded depreciation expense of \$15,217 and \$25,518, respectively.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 4 – Concentrations

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to \$250,000 at FDIC-insured institutions are covered by FDIC insurance. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Foundation is exposed to any significant related credit risk.

NOTE 5 – CARES Act Income

Paycheck Protection Program Loan

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain conditions are met.

In February 2020, the Foundation received a loan in the amount of \$92,500 through the PPP. In December 2020, the Foundation received notification from the Small Business Administration (SBA) that the loan was forgiven in full, and recognized the income from the CARES Act in the statement of activities and changes in net assets.

Economic Injury Disaster Loan Advance

In April 2020, the Foundation qualified for an Economic Injury Disaster Loan Advance (EIDL Advance) of \$8,000 under the CARES Act. Per the terms of the EIDL Advance as outlined by the SBA, the EIDL Advance was designed to provide emergency economic relief to businesses that experienced a temporary loss of revenue in 2020 and does not have to be repaid. As a result, the Foundation recognized income related to the EIDL Advance totaling \$8,000 during the year ended December 31, 2020. The EIDL Advance was included in other assets in the statement of financial position at December 31, 2020, and was received by the Foundation subsequent to December 31, 2020.

PEDIATRIC CANCER RESEARCH FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

NOTE 6 – Commitments and Contingencies

Operating Leases

The Foundation leases its facility under a lease agreement dated April 20, 2017. The minimum monthly base rent as of December 31, 2020 is \$3,948. The lease agreement provides for annual increases based on predetermined amounts. In addition to the base rent, the Foundation pays common area maintenance charges, which are included in rent expense. Rent expense for the years ended December 31, 2020 and 2019, was \$47,582 and \$47,309, respectively. The future minimum payments under the lease are as follows for the years ended:

December 31,

2021	\$ 47,941
2022	<u>28,427</u>
	<u>\$ 76,368</u>

Business Risks Associated with the Impact of COVID-19

Beginning in the first quarter of 2020, the outbreak of the novel coronavirus (COVID-19) has resulted in extreme stress and disruption in the U.S. economy and financial markets, and has adversely impacted, and may continue to adversely impact, the Foundation's financial position and operating results. Due to the highly uncertain nature of these conditions, it is not possible to estimate the ultimate impacts at this time. The risks may have manifested in, and may continue to manifest in, the Foundation's financial statements in the areas of, among others: i) investments: increased risk of loss on the Foundation's investments due to default or deterioration in credit quality or value; ii) revenue: increased risk of reductions in various sources of the Foundation's revenue streams; and iii) program services: increased risk of the Foundation's inability to meet its program services funding objectives or commitments. The Foundation cannot predict what impact the COVID-19 pandemic will ultimately have on the U.S. economy, markets, or the Foundation's operations.

NOTE 7 – Employee Benefit Plan

The Foundation adopted a SIMPLE IRA retirement program. The Foundation expects to make matching contributions of 1% to 3%, with a mandatory matching contribution of 3% to be made in at least one year of every three-year period. The Foundation made \$7,690 and \$11,361 in matching contributions under the SIMPLE IRA retirement program during the years ended December 31, 2020 and 2019, respectively.