

**FRIENDS OF CANCER RESEARCH**

**AUDITED FINANCIAL STATEMENTS**

For the Year Ended December 31, 2020

**FRIENDS OF CANCER RESEARCH**  
**AUDITED FINANCIAL STATEMENTS**  
December 31, 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Friends of Cancer Research  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Friends of Cancer Research** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, 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.

### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Friends of Cancer Research** 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.

*Lydon Fetterolf Corydon, P.A.*

Rockville, Maryland  
May 6, 2021

**FRIENDS OF CANCER RESEARCH**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2020

**ASSETS**

**CURRENT ASSETS**

	<u>2020</u>
Cash and cash equivalents - NOTES A, B and F	\$ 1,771,058
Contributions receivables - NOTE A	376,800
Accrued interest receivable	2
Prepaid expenses	<u>149,757</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,297,617</b>

**PROPERTY AND EQUIPMENT - NOTES A and D**

Furniture and fixtures	337,098
Computers and equipment	76,891
Website	196,434
Leasehold Improvements	<u>120,446</u>
	730,869
Less: accumulated depreciation	<u>(631,418)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>99,451</b>

**INVESTMENTS AND OTHER ASSETS**

Investments - long-term - NOTES A, C, F and G	6,845,582
Restricted cash and cash equivalents - NOTES A, B, E and F	1,165,000
Deposits - NOTE F	<u>56,431</u>
<b>TOTAL INVESTMENTS AND OTHER ASSETS</b>	<b><u>8,067,013</u></b>

<b>TOTAL ASSETS</b>	<b><u><u>\$ 10,464,081</u></u></b>
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**FRIENDS OF CANCER RESEARCH**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2020

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	<u>2020</u>
Accounts payable and accrued expenses	\$ 171,249
Deferred rent incentive - current portion - NOTE F	48,045
Notes payable - bank - short-term - NOTE I	<u>178,994</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>398,288</b>
 <b>LONG-TERM LIABILITIES</b>	
Deferred rent incentive - long term - NOTE F	229,283
Notes payable - bank - long-term - NOTE I	<u>51,803</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u><b>281,086</b></u>
<b>TOTAL LIABILITIES</b>	<b>679,374</b>
 <b>COMMITMENTS AND CONTINGENCIES - NOTES F, G, H, J and K</b>	
 <b>NET ASSETS - NOTES A, E and J</b>	
Net assets without donor restrictions	
Undesignated - NOTE E	<u>8,619,707</u>
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u><b>8,619,707</b></u>
Net assets with donor restrictions - NOTES B and E	<u>1,165,000</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<u><b>1,165,000</b></u>
<b>TOTAL NET ASSETS</b>	<u><b>9,784,707</b></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u><b>\$ 10,464,081</b></u></u>

**FRIENDS OF CANCER RESEARCH**

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	December 31, 2020			
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	%
<b>REVENUES - NOTE A</b>				
Corporate contributions - NOTE E	\$ 2,115,536	\$ 1,165,000	\$ 3,280,536	70.8
Event donations - NOTE E	823,190	0	823,190	17.8
Institutional contributions	437,126	0	437,126	9.4
Individual contributions	80,058	0	80,058	1.7
Contributed services	12,529	0	12,529	0.3
Miscellaneous income	1,979	0	1,979	0.0
Net assets released from restrictions	1,227,500	(1,227,500)	0	0.0
<b>TOTAL REVENUES</b>	<b>4,697,918</b>	<b>(62,500)</b>	<b>4,635,418</b>	<b>100.0</b>
<b>EXPENSES - NOTE A</b>				
<b>PROGRAM EXPENSES</b>				
Science policy	1,900,019	0	1,900,019	41.0
Communication	411,219	0	411,219	8.9
Meetings and professional development	355,918	0	355,918	7.7
Patient advocacy training	94,392	0	94,392	2.0
<b>TOTAL PROGRAM EXPENSES</b>	<b>2,761,548</b>	<b>0</b>	<b>2,761,548</b>	<b>59.6</b>
<b>SUPPORTING SERVICES</b>				
Operations and administration	471,709	0	471,709	10.2
Development and fundraising	333,517	0	333,517	7.2
<b>TOTAL SUPPORTING SERVICES</b>	<b>805,226</b>	<b>0</b>	<b>805,226</b>	<b>17.4</b>
<b>TOTAL EXPENSES</b>	<b>3,566,774</b>	<b>0</b>	<b>3,566,774</b>	<b>77.0</b>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE INVESTMENT INCOME</b>	<b>1,131,144</b>	<b>(62,500)</b>	<b>1,068,644</b>	<b>23.0</b>
Net Investment Return (loss) - Note C	731,431	0	731,431	15.8
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>1,862,575</b>	<b>(62,500)</b>	<b>1,800,075</b>	<b>38.7</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>6,757,132</b>	<b>1,227,500</b>	<b>7,984,632</b>	
<b>NET ASSETS AT END OF YEAR - NOTE E</b>	<b>\$ 8,619,707</b>	<b>\$ 1,165,000</b>	<b>\$ 9,784,707</b>	

See Notes to Financial Statements

**FRIENDS OF CANCER RESEARCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2020

	Science Policy	Communication	Meetings and Professional Development	Patient Advocacy Training	Total- Programs	Total - Operations and Administration	Total - Fundraising	Total - Supporting Services	Total - Expenses	%
Expenses										
Salary Expense	\$981,895	\$257,045	\$180,859	\$54,795	\$1,474,594	\$181,303	\$193,557	\$374,860	\$1,849,454	51.85%
Payroll Taxes	54,961	14,667	10,204	3,211	83,043	11,054	10,497	21,551	104,594	2.93%
Employee benefits	94,300	23,372	18,981	4,945	141,598	7,970	17,896	25,866	167,464	4.70%
Total Compensation Expense	1,131,156	295,084	210,044	62,951	1,699,235	200,327	221,950	422,277	2,121,512	59.48%
Bad Debt	-	-	-	-	-	20,000	-	20,000	20,000	0.56%
Bank Service Charges	-	-	-	-	-	9,517	-	9,517	9,517	0.27%
Consulting Services	368,506	7,050	-	-	375,556	-	-	-	375,556	10.53%
Contributions	10,000	-	36,258	7,500	53,758	-	-	-	53,758	1.51%
Depreciation Expenses- Note D	25,606	6,680	4,755	1,425	38,466	4,535	5,024	9,559	48,024	1.35%
Dues and Subscriptions	1,899	15,924	44,577	471	62,871	18,445	134	18,579	81,450	2.28%
EDP Supplies & Expenses	29,522	7,701	5,482	1,643	44,348	5,228	5,793	11,021	55,369	1.55%
Gala Event Expenses	77,442	-	6,800	477	84,719	-	50,665	50,665	135,384	3.80%
Legal and Accounting	-	-	-	-	-	155,150	325	155,475	155,475	4.36%
Licenses	4,600	-	-	-	4,600	-	-	-	4,600	0.13%
Miscellaneous	4,332	-	691	-	5,023	4,556	516	5,072	10,095	0.28%
Office Supplies	4,872	1,271	905	271	7,319	863	956	1,819	9,138	0.26%
Parking	10,059	2,624	1,868	560	15,111	1,781	1,974	3,755	18,866	0.53%
Postage and Delivery	-	-	443	-	443	7,650	-	7,650	8,093	0.23%
Printing and Reproduction	-	17,145	-	2,350	19,495	4,029	2,750	6,779	26,274	0.74%
Rent- Note F	203,363	53,051	37,762	11,318	305,494	36,015	39,903	75,918	381,412	10.69%
Telephone	17,974	4,689	3,338	1,000	27,001	3,183	3,527	6,710	33,711	0.95%
Travel	10,688	-	2,995	4,426	18,109	430	-	430	18,539	0.52%
Total Expenses	\$1,900,019	\$411,219	\$355,918	\$94,392	\$2,761,548	\$471,709	\$333,517	\$805,226	\$3,566,774	100%
	53.27%	11.53%	9.98%	2.64%	77.42%	13.23%	9.35%	22.58%	100.00%	

**FRIENDS OF CANCER RESEARCH**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2020</u>
Increase in net assets	\$ 1,800,075
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Net cash transferred to restricted cash - NOTE B	62,500
Depreciation expense - NOTE D	48,024
Net realized and unrealized gain on investments - NOTE C	(639,010)
(Increase) decrease in operating assets	
Contributions receivables	116,721
Accrued interest receivable	101
Prepaid expenses	(46,303)
Deposits	11,466
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	(4,910)
Deferred rent incentive	<u>(38,850)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	1,309,814
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(62,800)
Proceeds from sales of investments	2,408,469
(Purchases) of investments	<u>(3,044,691)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(699,022)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from note payable - NOTE I	<u>230,797</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>230,797</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	841,589
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>929,469</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR - NOTES A and B</b>	<u><u>\$ 1,771,058</u></u>

See Notes to Financial Statements



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Friends of Cancer Research (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America, and have been consistently applied in the preparation of the financial statements.

**Purpose of the Organization:**

Friends of Cancer Research (the “Organization”) was incorporated in the District of Columbia in 1996 as a not-for-profit organization. The mission of the Organization is to drive collaboration among partners from every healthcare sector to power advances in science, policy, and regulation that speed life-saving treatments to patients. The mission is achieved through the sponsorship of publicity events and the development and dissemination of promotional literature.

**The Organization’s significant accounting policies are as follows:**

**Basis of Accounting:**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

**Basis of Presentation:**

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to third-party imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by third-party imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by third-party imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. 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 third-party stipulation or by law. Expirations of third-party restrictions on the net assets (i.e., the third-party stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify restricted revenues as without donor restrictions to the extent that restrictions were met in the year the revenue was received.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments:**

The Organization has adopted Accounting Standards Codification (ASC) 958 Not-for-Profit Entities (formerly Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*). Under FASB ASC 958-320, investments in marketable equity securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

**Income Tax Status:**

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from nonexempt functions is subject to unrelated business income taxes to the extent that the revenue exceeds related costs. The Organization incurred no unrelated business income tax for the year ended December 31, 2020. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization other than a private foundation under Section 509(c)(2).

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2018, 2019, and 2020 tax years.

**Cash and Cash Equivalents:**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash reserved for a particular purpose or time restriction is classified as restricted cash on the statement of financial position (See NOTE B).



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, Equipment and Depreciation:**

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Functional Allocation of Expenses:**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Employees' salaries and fringe benefits are allocated to programs and supporting services based on time incurred. Management and general expenses include those expenses that are not directly identifiable with any other specific function but that provide for the overall support of the Organization.

**Contributions Receivable:**

Contributions and other receivables are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances throughout the year, and writes off any balances it deems will not be collected. If amounts become uncollectible, they will be charged against net assets when that determination is made. Management believes all contributions receivable as of December 31, 2020 will be collected therefore has not established an allowance for doubtful accounts.

**Revenue Recognition:**

**Unconditional Contributions:**

Gifts of cash and other assets received are reported as revenue increasing net assets without donor restrictions if donors do not specify purposes for which or periods in which the gifts must be used. Gifts received with a donor stipulation that limits their use are reported as revenue increasing net assets with donor restrictions. When a donor-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. Unconditional contributions expected to be collected within one year are reported at their net realizable value

**FRIENDS OF CANCER RESEARCH**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Annual Gala Sponsorship:

The Organization receives sponsorships to support the annual gala. Sponsorship revenues in excess of the fair value of benefits to the attendee are reported as contribution revenue in the period received. The portion of sponsorship revenue reflecting the fair value received by the attendee is reported as event ticket revenues at the point the Gala is held.

**NOTE B - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents (unrestricted and restricted) at December 31, 2020, consist of the following:

<u>Unrestricted</u>	
Demand deposits	\$ 1,689,712
Money market funds	<u>81,346</u>
Total unrestricted cash and cash equivalents	<u>\$ 1,771,058</u>
 <u>Restricted</u>	
Restricted - demand deposits	<u>\$ 1,165,000</u>
Total restricted cash and cash equivalents	<u>\$ 1,165,000</u>

**NOTE C – INVESTMENTS**

The Organization invests in certificates of deposit, and mutual funds (equity and debt). Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments at December 31, 2020 consisted of the following:

	Cost	Fair Value
Mutual funds – equities	\$ 2,824,058	\$ 3,917,445
Mutual funds – bond funds	<u>2,798,954</u>	<u>2,928,137</u>
Total investments	<u>\$ 4,623,012</u>	<u>\$ 6,845,582</u>

**FRIENDS OF CANCER RESEARCH**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**NOTE C – INVESTMENTS (Continued)**

Investment income and change in market value for the year ended December 31, 2020 is comprised of the following:

	2020
Interest and dividend income	\$ 131,323
Net realized and unrealized gain on investments	639,010
Investment return before fees	770,333
Less: Investment fees	(38,902)
Total investment return	\$ 731,431

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2020, consist of the following:

	Cost	Depreciation Expense	Accumulated Depreciation	Net Book Value	Estimated Useful Life (Years)
Furniture and fixtures	\$ 337,098	\$ 28,872	\$ 304,716	\$ 32,382	5
Computers and equipment	76,891	4,727	47,691	29,200	5
Website	196,434	9,015	166,675	29,759	3
Leasehold improvements	120,446	5,410	112,336	8,110	3-6
	<u>\$ 730,869</u>	<u>\$ 48,024</u>	<u>\$ 631,418</u>	<u>\$ 99,451</u>	

**FRIENDS OF CANCER RESEARCH**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**NOTE E – NET ASSETS**

As of December 31, 2020, total undesignated net assets without restrictions amounted to \$8,619,707. As of December 31, 2020, the Organization had net assets with restriction of \$1,165,000.

Net assets at December 31, 2020 consist of the following:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Balance at December 31, 2019	\$6,757,132	\$1,227,500	\$7,984,632
2020 Increase (decrease) in net assets	<u>1,862,575</u>	<u>(62,500)</u>	<u>1,800,075</u>
Balance at December 31, 2020	<u>\$8,619,707</u>	<u>\$1,165,000</u>	<u>\$9,784,707</u>

Net assets with donor restrictions are available for the following purposes at December 31, 2020:

	<u>2020</u>
Net assets with donor restrictions	
Restricted for:	
2021 Research programs	\$ 1,065,000
2021 Events	<u>100,000</u>
Total net assets with donor restrictions	<u>\$ 1,165,000</u>

**NOTE F – COMMITMENTS AND CONTINGENCIES**

**Concentrations of Credit Risk:**

The Organization maintains its cash, cash equivalents and investments with two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The FDIC insures up to \$250,000 and the SIPC insures up to \$500,000 (including up to \$250,000 for cash) as of December 31, 2020. At December 31, 2020, the Organization's uninsured cash and investment balance was \$9,110,220.



**NOTE F – COMMITMENTS AND CONTINGENCIES (Continued)**

**Annual Meeting Operations:**

As part of its meeting operations, the Organization is obligated on long-term agreements for hotel rooms and meeting space. The Organization is contingently liable for a portion of these costs upon cancellation of the event and/or unsold rooms. The effect of COVID-19 on future events and related obligations on future meeting space is yet to be determined.

**Retirement Plan:**

Effective September 16, 2016, the Organization has a 401(k) retirement plan (the Plan) for the benefit of all employees over the age of 21 within the Organization. Participants may elect to defer a portion of their salary and contribute it to the retirement plan. Additionally, the Organization matches employee's dollar-for-dollar up to a total of 3% of the employee's salary and above that matches 50% up to 5% of compensation. All employee deferrals and employer (ADP safe harbor) matching contributions are 100% vested immediately with the participant. Contribution expense related to matching contribution to the Plan was \$68,046 for the year ended December 31, 2020. The Organization also can make a discretionary profit-sharing contribution each year. In order to be eligible, the participant must generally be employed on the last day of the year, and the participant becomes fully vested in the discretionary profit-sharing contribution after five years. The Organization did not make a discretionary profit-sharing contribution for the year ended December 31, 2020.

**Operating Leases – Office Space:**

In February 1, 2016, the Organization entered into an office lease agreement for a term of 106 months (8 and 5/6 of a year), which will expire on April 30, 2025. The office space is located in Washington, D.C. During 2016, the Organization provided a security deposit to the landlord in the amount of \$56,431. The lease agreement calls for annual "base" rent which is scheduled to increase two and one-half percent (2 ½%) each year and also calls for annual "additional" rent that includes the Organization's pro rata share of real estate taxes and other building operating expenses. Both the base and additional rent are to be paid in monthly installments by the first of each month. The terms of the lease included provisions for a construction allowance and rent abatement for the first ten months of base and additional rent payments. The benefit of the construction allowance and the rent abatement will be amortized over the life of the lease. The unamortized portion is reflected on the balance sheet as deferred rent incentive. Base rental expense for the office space under the agreement before deferred rent incentive adjustment was \$420,261 and after the deferred rent incentive adjustment of (\$38,849), rental expense for the year ended December 31, 2020 amounted to \$381,412.

**FRIENDS OF CANCER RESEARCH**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE F – COMMITMENTS AND CONTINGENCIES (Continued)**

Total deferred rent incentive consists of the following components at December 31, 2020.

Current portion	\$ 48,045
Long-term	<u>229,283</u>
	<u>\$ 277,328</u>

The following sets forth the annual rent payments required under the operating lease.

Lease commitment:

For the Year Ending	
<u>December 31, 2020</u>	<u>Amount</u>
2021	\$ 378,423
2022	387,884
2023	397,610
2024	407,535
2025	<u>137,516</u>
	<u>\$ 1,708,968</u>

**NOTE G – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – These inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.



**NOTE G – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Level 2 – These are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, default rates and other similar data.

Level 3 – These are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization’s own data.

The Organization estimates that the fair value of all financial instruments at December 31, 2020 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

**Fair Value Measurements on a Recurring Basis**  
**As of December 31, 2020**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 6,845,582	\$ 0	\$ 0	\$ 6,845,582
Total	<u>\$ 6,845,582</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,845,582</u>

**NOTE H – RECENT ACCOUNTING PRONOUNCEMENTS**

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, “Leases (Topic 842).” ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should be recognized in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

**FRIENDS OF CANCER RESEARCH**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**NOTE I – LONG TERM DEBT**

Paycheck Protection Program Loan

During fiscal year ended December 31, 2020, the Organization entered into an agreement with a bank to borrow \$230,797. The loan is pursuant to the SBA's Paycheck Protection Program under the CARES Act. Interest and principal payments are deferred for a period of six months and the loan is guaranteed by the U.S. Government. In December 2020, the Organization has requested forgiveness of the loan.

Monthly principal and interest payments will be due on any portion of the loan that is not forgiven. Interest will accrue at no more than 1% per year for a period of two years beginning after the deferral period.

The aggregate maturities of this long-term debt subsequent to December 31, 2020 are as follows:

For Year Ending December 31,

2021	178,994
2022	51,803
	<u>\$ 230,797</u>

There was no interest expense related to this loan for the year ended December 31, 2020.

See NOTE K – Subsequent Events.

**NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has financial assets as of December 31, 2020, consisting of cash and cash equivalents (unrestricted and restricted) of \$2,936,058, total investments of \$6,845,582, and accounts and other receivables of \$376,800, and interest receivable of \$2, which total \$10,158,442. Included in these financial assets is \$1,165,000 is cash that is restricted by donors that make them unavailable for general expenditures within one year of the statements of financial date. These financial assets are not available for general use.

**FRIENDS OF CANCER RESEARCH**  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

The following reflected the Organization's financial assets available for general use as of the Statement of Financial Position date.

Financial assets, at year end	\$ 10,158,442
Less those unavailable for general expenditure within one year, due to: Contractual Restrictions: Grant/Contract Money Received and Restricted for future use	<u>1,165,000</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 8,993,442</u>

The Organization considers all expenditures related to its ongoing programs, as well as the services undertaken to support these programs to be general expenditures. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Also, the Organization invests cash in excess of daily requirements in investments, which include mutual funds (Equity and Debt Funds).

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization's goal is to operate with at least a balanced budget and the Organization anticipates that for FYE 2021 it will collect sufficient additional revenue to cover general expenditures.

**NOTE K – SUBSEQUENT EVENTS**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 6, 2021, the date the audit report was available to be issued.

**Paycheck Protection Program**

The Organization applied to the SBA for the Paycheck Protection Program (PPP) loan forgiveness on their first loan draw in the amount of \$230,797 on December 15, 2020. The approval of the forgiveness application is pending May 6, 2021.

**FRIENDS OF CANCER RESEARCH**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

**NOTE K – SUBSEQUENT EVENTS (Continued)**

**COVID-19 Uncertainty**

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration of the outbreak, impact on our donors, employees and vendors all which are uncertain and cannot be predicted. The extent to which COVID-19 may impact our future financial condition or results of operations is uncertain.