

FRIENDS OF CANCER RESEARCH

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

FRIENDS OF CANCER RESEARCH
AUDITED FINANCIAL STATEMENTS
December 31, 2019

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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, 2019 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, 2019 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
June 10, 2020

FRIENDS OF CANCER RESEARCH
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS

	<u>2019</u>
Cash and cash equivalents - NOTES A, B and F	\$ 929,469
Contributions receivables- NOTE A	493,521
Accrued interest receivable	103
Prepaid expenses	<u>103,454</u>
TOTAL CURRENT ASSETS	1,526,547

PROPERTY AND EQUIPMENT - NOTES A and D

Furniture and fixtures	325,632
Computers and equipment	54,932
Website	167,059
Leasehold Improvements	<u>120,446</u>
	668,069
Less: accumulated depreciation	<u>(583,395)</u>
TOTAL PROPERTY AND EQUIPMENT	84,674

INVESTMENTS AND OTHER ASSETS

Investments - long-term - NOTES A, C, F and G	5,570,351
Restricted cash and cash equivalents- NOTES A, B, E and F	1,227,500
Deposits (Lease and Equipment)- NOTE F	<u>67,897</u>
TOTAL INVESTMENTS AND OTHER ASSETS	<u>6,865,748</u>

TOTAL ASSETS	<u><u>\$ 8,476,969</u></u>
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FRIENDS OF CANCER RESEARCH
STATEMENT OF FINANCIAL POSITION
December 31, 2019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	<u>2019</u>
Accounts payable and accrued expenses	\$ 176,159
Deferred rent incentive - current portion - NOTE F	<u>38,850</u>
TOTAL CURRENT LIABILITIES	215,009
 LONG-TERM LIABILITIES	
Deferred rent incentive - long term - NOTE F	<u>277,328</u>
TOTAL LONG-TERM LIABILITIES	<u>277,328</u>
TOTAL LIABILITIES	<u>492,337</u>
 COMMITMENTS AND CONTINGENCIES - NOTES F, G, H, I and J	
 NET ASSETS - NOTES A, E and I	
Net assets without donor restrictions	
Undesignated - NOTES E and I	<u>6,757,132</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>6,757,132</u>
Net assets with donor restrictions - NOTES B and E	<u>1,227,500</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>1,227,500</u>
TOTAL NET ASSETS	<u>7,984,632</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,476,969</u></u>

See Notes to Financial Statements

FRIENDS OF CANCER RESEARCH
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	December 31, 2019			
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	%
REVENUES - NOTE A				
Corporate contributions - NOTE E	\$ 2,347,029	\$ 1,227,500	\$ 3,574,529	70.5
Event donations - NOTE E	839,250	0	839,250	16.6
Institutional contributions	391,074	0	391,074	7.7
Individual contributions	182,956	0	182,956	3.6
Event ticket revenue - NOTE A	79,450	0	79,450	1.6
Miscellaneous income	2,282	0	2,282	0.0
Net assets released from restrictions	715,000	(715,000)	0	0.0
TOTAL REVENUES	4,557,041	512,500	5,069,541	100.0
EXPENSES - NOTE A				
PROGRAM EXPENSES				
Science policy	1,807,415	0	1,807,415	35.7
Communication	357,390	0	357,390	7.0
Meetings and professional development	397,628	0	397,628	7.8
Patient advocacy training	75,128	0	75,128	1.5
TOTAL PROGRAM EXPENSES	2,637,561	0	2,637,561	52.0
SUPPORTING SERVICES				
Operations and administration	584,559	0	584,559	11.5
Development and fundraising	563,985	0	563,985	11.1
TOTAL SUPPORTING SERVICES	1,148,544	0	1,148,544	22.7
TOTAL EXPENSES	3,786,105	0	3,786,105	74.8
INCREASE (DECREASE) IN NET ASSETS BEFORE INVESTMENT INCOME	770,936	512,500	1,283,436	25.2
Net Investment Return (loss)- Note C	866,695	0	866,695	17.1
INCREASE (DECREASE) IN NET ASSETS	1,637,631	512,500	2,150,131	42.4
NET ASSETS AT BEGINNING OF YEAR - NOTE J	5,119,501	715,000	5,834,501	
NET ASSETS AT END OF YEAR - NOTE E	\$ 6,757,132	\$ 1,227,500	\$ 7,984,632	

See Notes to Financial Statements

FRIENDS OF CANCER RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 20119

	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	\$799,769	\$217,102	\$199,972	\$44,718	\$1,261,561	\$307,131	\$224,530	\$531,661	\$1,793,222	47.36%
Payroll Taxes	44,091	11,829	10,746	2,489	69,155	27,072	11,990	39,062	108,217	2.86%
Employee benefits	71,107	19,095	17,777	3,677	111,656	18,561	18,702	37,263	148,919	3.93%
Total Compensation Expense	914,967	248,026	228,495	50,884	1,442,372	352,764	255,222	607,986	2,050,358	54.15%
Bank Service Charges	0	0	0	0	0	11,738	0	11,738	11,738	0.31%
Consulting Services	74,929	1,000	0	0	75,929	250	0	250	76,179	2.01%
Contributions	15,000	0	27,000	7,500	49,500	1,000	0	1,000	50,500	1.33%
Depreciation Expenses- Note I	30,240	8,197	7,552	1,682	47,671	10,941	8,435	19,376	67,047	1.77%
Dues and Subscriptions	82,360	30,176	48,971	3,126	164,633	20,378	2,003	22,381	187,014	4.94%
EDP Supplies & Expenses	19,174	5,197	4,788	1,066	30,224	7,392	5,348	12,740	42,964	1.13%
Gala Event Expenses	414,988	0	5,615	0	420,603	0	231,009	231,009	651,613	17.21%
Legal and Accounting	0	0	0	0	0	92,513	325	92,838	92,838	2.45%
Miscellaneous	3,531	0	95	173	3,798	4,914	362	5,276	9,074	0.24%
Office Supplies	5,523	1,497	1,379	307	8,707	2,129	1,541	3,670	12,377	0.33%
Parking	8,418	2,282	2,102	468	13,271	3,246	2,348	5,594	18,865	0.50%
Postage and Delivery	0	1,992	0	0	1,992	4,057	6,800	4,057	6,049	0.16%
Printing and Reproduction	39,346	10,780	220	0	50,347	1,963	6,800	8,763	59,110	1.56%
Public Relations	898	0	981	0	1,879	2,385	380	2,765	4,644	0.12%
Rent- Note F	165,683	44,913	41,376	9,214	261,186	63,879	46,216	110,095	371,281	9.81%
Telephone	12,279	3,329	3,066	683	19,357	4,734	3,425	8,159	27,517	0.73%
Travel	20,078		25,987	25	46,090	276	571	847	46,937	1.24%
Total Expenses	\$1,807,415	\$357,390	\$397,628	\$75,128	\$2,637,560	\$584,559	\$563,985	\$1,145,757	\$3,786,105	100.00%
	47.809%	9.40%	10.509%	2.00%	69.709%	15.40%	14.90%	30.30%	100.00%	100%

FRIENDS OF CANCER RESEARCH
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>
Increase in net assets	\$ 2,150,131
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Net cash transferred to restricted cash - NOTE B	(512,500)
Depreciation expense - NOTE D	67,047
Net realized and unrealized gain on investments - NOTE C	(756,792)
(Increase) decrease in operating assets	
Contributions receivables	(465,615)
Accrued interest receivable	367
Prepaid expenses	6,532
Deposits	(11,466)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	(11,108)
Deferred rent incentive	<u>(29,855)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	436,741
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(8,998)
Proceeds from sales of investments	1,464,272
(Purchases) of investments	<u>(1,814,658)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(359,384)</u>
CASH FLOW FROM FINANCING ACTIVITIES - NONE	<u>0</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>0</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	77,357
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>852,112</u>
CASH AND CASH EQUIVALENTS - END OF YEAR - NOTES A and B	<u><u>\$ 929,469</u></u>

See Notes to Financial Statements

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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 restriction and net assets with restriction.

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

Net Assets With 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 restriction unless use of the related assets is limited by third-party imposed restrictions. Expenses are reported as decreases in net assets without restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without 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 restrictions to the extent that restrictions were met in the year the revenue was received.

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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, 2019. 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 2017, 2018, and 2019 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).

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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, 2019 will be collected therefore has not established an allowance for doubtful accounts.

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

New Accounting Pronouncement:

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) and FASB ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08). These two ASUs were adopted together as of January 1, 2019, because they both establish standards for characterizing contributions and similar contracts with resource providers as either exchange transactions or conditional contributions. The implementation had no material effect on the Organization's results of operations, financial position, and cash flows.

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents (unrestricted and restricted) at December 31, 2019, consist of the following:

<u>Unrestricted</u>	
Demand deposits	\$ 804,389
Money market funds	<u>125,080</u>
Total unrestricted cash and cash equivalents	<u>\$ 929,469</u>
 <u>Restricted</u>	
Restricted - demand deposits	<u>\$ 1,227,500</u>
Total restricted cash and cash equivalents	<u>\$ 1,227,500</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, 2019 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds – equities	\$ 2,548,943	\$ 3,274,343
Mutual funds – bond funds	<u>2,231,329</u>	<u>2,296,008</u>
Total investments	<u>\$ 4,780,272</u>	<u>\$ 5,570,351</u>

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE C – INVESTMENTS (Continued)

Investment income and change in market value for the year ended December 31, 2019 is comprised of the following:

	2019
Interest and dividend income	\$ 143,064
Net realized and unrealized gain on investments	756,792
Investment return before fees	899,856
Less: Investment fees	(33,161)
Total investment return	\$ 866,695

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019, consist of the following:

	Cost	Depreciation Expense	Accumulated Depreciation	Net Book Value	Estimated Useful Life (Years)
Furniture and fixtures	\$ 325,632	\$ 26,769	\$ 275,844	\$ 49,788	5
Computers and equipment	54,932	3,553	42,964	11,968	5
Website	167,059	31,319	157,661	9,398	3
Leasehold improvements	120,446	5,408	106,926	13,520	3-6
	<u>\$ 668,069</u>	<u>\$ 67,049</u>	<u>\$ 583,395</u>	<u>\$ 87,674</u>	

NOTE E – NET ASSETS

As of December 31, 2019, total net assets without restrictions amounted to \$6,757,132 and these were all undesignated. As of December 31, 2019, the Organization had net assets with restriction of \$1,227,500.

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE E – NET ASSETS (Continued)

Net assets at December 31, 2019 consist of the following:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
Balance at December 31, 2018	\$5,119,501	\$715,000	\$5,834,501
2019 Increase (decrease) in net assets	<u>1,637,631</u>	<u>512,500</u>	<u>2,150,131</u>
Balance at December 31, 2019	<u>\$6,757,132</u>	<u>\$1,227,500</u>	<u>\$7,984,632</u>

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

	2019
Net assets with donor restrictions	
Restricted for:	
2020 Research programs	\$ 1,202,500
2020 Events	<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 1,227,500</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, 2019. At December 31, 2019, the Organization's uninsured cash and investment balance was \$6,930,811.

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. As of the date of the audit report, the Organization has converted one event to a virtual environment rather than in person, and is in the process of cancelling the reception to be held in September due to COVID-19, any refunds on deposits made for these future events has yet to be determined.

NOTE F – COMMITMENTS AND CONTINGENCIES (Continued)

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 \$69,350 for the year ended December 31, 2019. 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 discretionary profit-sharing contribution was \$0 for the year ended December 31, 2019.

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 \$401,138 and after the deferred rent incentive adjustment of (\$29,854), rental expense for the year ended December 31, 2019 amounted to \$371,281. Total deferred rent incentive consists of the following components at December 31, 2019.

Current portion	\$ 38,850
Long-term	<u>277,328</u>
	<u>\$ 316,178</u>

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE F – COMMITMENTS AND CONTINGENCIES (Continued)

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

Lease commitment:

For the Year Ending	
<u>December 31, 2019</u>	<u>Amount</u>
2020	\$ 369,228
2021	378,423
2022	387,884
2023	397,610
2023 and thereafter	<u>545,051</u>
	<u>\$ 2,078,196</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.

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.

FRIENDS OF CANCER RESEARCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE G – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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, 2019 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, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 5,570,351	\$ 0	\$ 0	\$ 5,570,351
Total	<u>\$ 5,570,351</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,570,351</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
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NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has financial assets as of December 31, 2019, consisting of cash and cash equivalents (unrestricted and restricted) of \$2,156,969, total investments of \$5,570,351, accounts and other receivables of \$493,521, and interest receivable of \$103, which total \$8,220,944. Included in these financial assets is \$1,227,500 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.

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	\$ 8,220,994
Less those unavailable for general expenditure within one year, due to:	
Contractual Restrictions:	
Grant/Contract Money Received and Restricted for future use	<u>(1,227,500)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 6,993,444</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 2020 it will collect sufficient additional revenue to cover general expenditures.

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NOTE J – SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2020, the date the audit report was available to be issued.

Paycheck Protection Program – SBA Loan

On April 28, 2020 MRC was awarded a loan for \$230,796 under the Paycheck Protection Program (PPPL). The loan calls for an interest rate of one percent per year, beginning on the date of the note for the total amount not forgiven under the PPPL. Equal monthly payments of principal and interest begin six months from the date of the note and the note has a two-year amortization period.

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.