

St. Baldrick's Foundation

Financial Statements

June 30, 2020 and 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Baldrick's Foundation
Monrovia, California

We have audited the accompanying financial statements of St. Baldrick's Foundation (a nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 St. Baldrick's Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the combined financial statements, the Foundation has adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



Armanino^{LLP}
Los Angeles, California

October 30, 2020

St. Baldrick's Foundation
 Statements of Financial Position
 June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,190,184	\$ 3,081,737
Investments	26,527,566	33,369,631
Pledges receivable, net	448,942	605,058
Prepaid expenses and other current assets	462,521	430,141
Website and software development costs, net	1,345,097	1,403,800
Property and equipment, net	29,374	63,707
Security deposits	34,355	34,355
Total assets	\$ 32,038,039	\$ 38,988,429
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 24,396,736	\$ 24,183,938
Accounts payable and accrued expenses	582,295	542,537
Other liabilities	198,969	134,438
Refundable advance - Paycheck Protection Program	175,800	-
Total liabilities	25,353,800	24,860,913
Net assets		
Without donor restrictions	4,541,193	11,766,406
With donor restrictions	2,143,046	2,361,110
Total net assets	6,684,239	14,127,516
Total liabilities and net assets	\$ 32,038,039	\$ 38,988,429

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 22,920,615	\$ 1,525,270	\$ 24,445,885
Contributed services and assets	427,076	-	427,076
Net investment return	1,163,597	-	1,163,597
Paycheck Protection Program grant	650,200	-	650,200
Total revenues, gains, and other support	<u>25,161,488</u>	<u>1,525,270</u>	<u>26,686,758</u>
Net assets released from restriction	<u>1,743,334</u>	<u>(1,743,334)</u>	<u>-</u>
Total revenues, gains and other support	<u>26,904,822</u>	<u>(218,064)</u>	<u>26,686,758</u>
Functional expenses			
Childhood cancer research and advocacy	<u>24,092,416</u>	<u>-</u>	<u>24,092,416</u>
Support services			
Management and general	1,576,580	-	1,576,580
Fundraising	8,461,039	-	8,461,039
Total support services	<u>10,037,619</u>	<u>-</u>	<u>10,037,619</u>
Total functional expenses	<u>34,130,035</u>	<u>-</u>	<u>34,130,035</u>
Change in net assets	(7,225,213)	(218,064)	(7,443,277)
Net assets, beginning of year, as restated	<u>11,766,406</u>	<u>2,361,110</u>	<u>14,127,516</u>
Net assets, end of year	<u>\$ 4,541,193</u>	<u>\$ 2,143,046</u>	<u>\$ 6,684,239</u>

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 34,153,414	\$ 2,542,821	\$ 36,696,235
Contributed services and assets	311,553	-	311,553
Net investment return	<u>766,320</u>	<u>-</u>	<u>766,320</u>
Total revenues, gains, and other support	35,231,287	2,542,821	37,774,108
Net assets released from restriction	<u>429,416</u>	<u>(429,416)</u>	<u>-</u>
Total revenues, gains and other support	<u>35,660,703</u>	<u>2,113,405</u>	<u>37,774,108</u>
Functional expenses			
Childhood cancer research and advocacy	<u>27,475,737</u>	<u>-</u>	<u>27,475,737</u>
Support services			
Management and general	1,406,273	-	1,406,273
Fundraising	<u>8,783,066</u>	<u>-</u>	<u>8,783,066</u>
Total support services	<u>10,189,339</u>	<u>-</u>	<u>10,189,339</u>
Total functional expenses	<u>37,665,076</u>	<u>-</u>	<u>37,665,076</u>
Change in net assets	(2,004,373)	2,113,405	109,032
Net assets, beginning of year	<u>13,770,779</u>	<u>247,705</u>	<u>14,018,484</u>
Net assets, end of year, as restated	<u>\$ 11,766,406</u>	<u>\$ 2,361,110</u>	<u>\$ 14,127,516</u>

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

St. Baldrick's Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 21,617,193	\$ -	\$ -	\$ 21,617,193
Salaries and benefits	1,073,110	1,058,688	2,722,809	4,854,607
Marketing and publicity	543,356	106	1,630,409	2,173,871
Event promotion costs	-	-	647,140	647,140
Donation processing and bank fees	-	8,856	453,498	462,354
Printing costs	10,552	2,637	39,569	52,758
Occupancy	99,374	94,876	250,288	444,538
Other operating costs	45,447	44,571	96,915	186,933
Professional fees and consultants	241,898	107,414	118,721	468,033
Technology and information systems	296,582	189,575	1,864,337	2,350,494
Meetings, conventions and travel	120,446	8,944	37,635	167,025
Depreciation and amortization	44,458	60,913	599,718	705,089
	<u>\$ 24,092,416</u>	<u>\$ 1,576,580</u>	<u>\$ 8,461,039</u>	<u>\$ 34,130,035</u>

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

St. Baldrick's Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 24,919,986	\$ -	\$ -	\$ 24,919,986
Salaries and benefits	1,248,642	974,548	2,845,573	5,068,763
Marketing and publicity	379,295	242	1,170,900	1,550,437
Event promotion costs	-	-	858,045	858,045
Donation processing and bank fees	-	10,352	680,998	691,350
Printing costs	10,215	2,554	38,304	51,073
Occupancy	118,743	91,144	267,698	477,585
Other operating costs	59,099	56,860	105,232	221,191
Professional fees and consultants	235,374	58,915	140,089	434,378
Technology and information systems	282,266	137,746	1,797,934	2,217,946
Meetings, conventions and travel	157,724	8,899	91,871	258,494
Depreciation and amortization	64,393	65,013	786,422	915,828
	<u>\$ 27,475,737</u>	<u>\$ 1,406,273</u>	<u>\$ 8,783,066</u>	<u>\$ 37,665,076</u>

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

St. Baldrick's Foundation
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (7,443,277)	\$ 109,032
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	705,089	915,828
Net realized and unrealized gains on sales of investments	(643,843)	(313,390)
Investment fees	74,327	61,225
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(32,380)	(174,935)
Pledges receivable	156,116	(531,657)
Security deposits	-	(13,835)
Grants payable	212,798	368,757
Accounts payable and accrued expenses	39,758	(82,478)
Refundable advance - Paycheck Protection Program	175,800	-
Other liabilities	64,531	25,912
Net cash provided by (used in) operating activities	<u>(6,691,081)</u>	<u>364,459</u>
Cash flows from investing activities		
Purchases of investments	(7,555,481)	(5,012,412)
Sales of investments	6,099,295	3,318,187
Maturities of fixed income investments	500,000	2,300,000
Reinvestment of interest and dividend income	(588,418)	(514,155)
Net cash and cash equivalent activity within investment accounts	8,956,185	649,213
Purchases of property and equipment	(10,076)	(16,261)
Website development costs	(466,483)	(514,278)
Salesforce implementation costs	(135,494)	(176,873)
Net cash provided by investing activities	<u>6,799,528</u>	<u>33,421</u>
Net increase in cash and cash equivalents	108,447	397,880
Cash and cash equivalents, beginning of year	<u>3,081,737</u>	<u>2,683,857</u>
Cash and cash equivalents, end of year	<u>\$ 3,190,184</u>	<u>\$ 3,081,737</u>

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

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

1. NATURE OF OPERATIONS

St. Baldrick's Foundation (the "Foundation"), a nonprofit entity, was established in 2004 with the ultimate goal of finding cures for childhood cancers and giving survivors long and healthy lives. Volunteers raise funds which are granted for life-saving research and advocacy efforts to raise awareness of the challenges facing child cancer treatments and cures.

The Foundation's signature fundraising event is headshaving, where volunteers, in acts of solidarity, show support for children with cancer. While raising funds, this life-changing activity brings volunteers to the Foundation, engages them in its mission and raises awareness of the many challenges faced by the children, their families, and the doctors and researchers in this community. In addition to peer to peer fundraising, the Foundation raises funds through direct solicitations, major gifts, planned giving and more.

The Foundation provides support to families of newly-diagnosed children, teens, and young adults through its partnership with, and major funding of, the Children's Oncology Group (the "COG"). The COG is the largest group to provide clinical trials to patients and provides a handbook to assist the patients and families in navigating through support, healthcare and quality of life issues.

The Foundation's advocacy efforts strive to ensure that government policy surrounding pediatric cancer issues support better outcomes for children with cancer and also increase federal funding for children's cancer research.

The Foundation's signature and priority program is funding the highest quality childhood cancer research grants. Funding decisions, informed by a scientific review process, are more rigorous than most charity funders and involve more than 200 pediatric cancer experts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

The Foundation has adopted the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. This standard clarifies that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement contains a barrier. The Foundation has adopted the standard on a modified prospective basis, meaning that it has been applied to all new arrangements and any revenue that had not been recognized from arrangements that existed as of July 1, 2019. The adoption of this accounting principle did not result in any changes to beginning donor restricted net assets.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation

The financial statements of the Foundation have been prepared in conformity with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein have been classified and are reported as follows:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Directors of management for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the expiration of stipulated time.

Income tax status

The Internal Revenue Service has determined that the Foundation is an organization exempt from federal income tax under Section 501(c)(3) of the IRC. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Foundation considers all highly-liquid financial instruments with an original maturity of three months or less to be cash equivalents, except those which have been classified as investments.

Concentration of risk

The Foundation's bank balances generally exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Foundation has not experienced and does not anticipate any losses related to these balances.

Reserves

The Foundation's policy is to fully reserve for grants awarded at the time the grant commitment is made. This policy provides the financial commitment to its researchers that these vital research projects can be completed without regard to future unforeseen events.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves (continued)

As of June 30, 2020 and 2019, the reserve for outstanding grants awarded was \$24,396,736 and \$24,183,938.

Investments

Investments are monitored by the Board of Directors' finance and investment committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

The Foundation's Board of Directors (the "Board") has adopted an investment policy whereas all investments will be made through highly liquid investments, invested with the view towards preservation of capital, with a weighted average life no longer than three years, and will be made only through the permissible asset mix as defined in the policy.

ASC Topic *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. Under this topic, the Foundation must report its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Website and software development costs

The Foundation recognizes the costs incurred in the development of the Foundation's custom website, which includes the public website, the member's management portal, St. Baldrick's staff's management tool, and proprietary contribution and event software in accordance with ASC Topic *Intangibles-Goodwill and Other*. Accordingly, direct costs incurred during the application stage of development are capitalized and amortized over the estimated useful life, which is 36 months or less. Fees for website hosting and costs of operating the website are expensed as incurred.

Property and equipment

Property and equipment are recorded at cost. Property and equipment are being depreciated using the straight-line method over estimated lives of three to five years.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provisions were recorded by the Foundation during the years ended June 30, 2020 or 2019.

Grants

Complex research projects can require a commitment of up to three to five years of funding. The Foundation records appropriations for grants as a liability and expense after approval by the Board, based upon a professional review system (see "Nature of Operations" note above).

Each grant type addresses a vital need in childhood cancer research:

Fellowships (funded for 2-3 years) fund the training of new medical doctors to specialize in pediatric cancer research. During these years, the Fellow engages in a specific research project under the guidance of a mentor.

Summer Fellowships cover a small stipend for medical school or college students to spend a summer conducting research under expert guidance in a pediatric oncology research laboratory. The objective is for these students to accomplish meaningful work while also inspiring them to choose pediatric cancer research as their specialty.

Scholar Awards (funded for 3-5 years) are for early career pediatric oncology researchers conducting specific research projects. These younger professionals might otherwise be unable to pursue their new ideas, as they must compete with more established experts for extremely scarce funding.

Research grants are for 1-year projects to research new and better treatments, as well as survivorship, for childhood cancers.

Supportive care research grants are for 1-year projects, often conducted by research nurses, for research to improve patient care, symptom management, psychosocial care, compliance with therapy, survivorship issues, and more.

Consortium grants (funded for 1-5 years) are awarded to groups of researchers from multiple institutions who are collaborating on large research projects.

Cooperative research funding is granted to the COG, with funds distributed to its more than 200 member institutions to support clinical trials, thereby funding virtually every institution qualified to treat childhood cancers in the United States and Canada.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

The St. Baldrick's Robert J. Arceci Innovation Award (funded for 3 years) is in memory of Dr. Robert J. Arceci. These awards are based on nominations of U.S./Canadian and international early- to mid-career scientists, whose work reflects his values of creativity, collaboration, and impact.

The St. Baldrick's - Stand Up To Cancer Pediatric Cancer Dream Team, building on the success of its first four-year term, embarked on a new grant period with the Foundation in late 2017, focused on curing childhood cancers by bringing together the fields of immunotherapy and genomics, and expanding its work to include multiple types of pediatric cancer.

International Scholar Awards (funded for 3-5 years) are for researchers from low- to middle-income countries to train in the U.S. or other developed countries, then return to pursue research and offer a higher quality of care to patients in their home countries.

International beneficiary grants (1 year) are for organizations outside the U.S., supporting research or funds to help patients in these countries where the Foundation has a fundraising presence.

Infrastructure grants (1 year) are for resources to make more research possible, often funding a clinical research associate who ensures more options are available for patients to participate in clinical trials.

In addition to the above standard grant opportunities, the Foundation works with major donors of \$1 million or more to issue special Requests for Applications (RFA's) to seek out grant applications, conduct a scientific review, and fund research in a specific disease or area of research interest.

Contributions

Contributions are recognized as revenue in the period received. The Foundation reports gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets.

Contributed services and assets

Contributed services are reported at the estimated fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills, and (3) are services which would typically be purchased if not provided by donation. The Foundation recorded contributed services revenue and a related expense for the years ended June 30, 2020 and 2019 of \$377,851 and \$231,855, respectively, primarily relating to public relations, advertising, attorney services and management consulting.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and assets (continued)

Contributed assets consist of items for fundraising events and other items for operations which are recorded at fair value at the date of the gift, as contributed asset revenue. The Foundation recorded contributed assets for the years ended June 30, 2020 and 2019 of \$49,225 and \$79,698, respectively.

Volunteers

A number of volunteers, including members of the Board, have made significant contributions of time to the Foundation's policymaking, program, fundraising and support functions. In particular, for the years ended June 30, 2020 and 2019, the Foundation's grant applications were reviewed by a team of over 225 medical doctors and researchers who contributed approximately 2,637 and 2,631 hours, respectively. The number varies based upon the number of grant applications and the specific expertise required to review each. The value of this contributed time does not meet the criteria for recognition of contributed services as detailed above and, therefore, is not reflected in the accompanying statements of activities.

Partnerships with foreign organizations

Recognizing that childhood cancer knows no boundaries, the Foundation carefully partners with pediatric cancer nonprofits worldwide in order to ensure that research needs in countries participating in pediatric cancer research are supported or that other needs of pediatric cancer are addressed in countries not participating in research. The Foundation provides support and expertise in fundraising in order to maximize fundraising efforts in the countries that want assistance.

In countries where the Foundation's events are held, the Foundation partners with vetted and approved foreign organizations to direct funds to what the Foundation views as the best research available in that country or the next best need if research is not performed in that country. The Foundation's support and partnerships generated approximately \$454,037 and \$780,239 of contributions for the years ended June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, the Foundation partnered with organizations in multiple countries, including Australia, Bermuda, Germany, Hong Kong, India, Japan, Singapore and the United Kingdom.

Functional allocation of expenses

Expenses that can be directly identified with a program or the supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using methods determined by management to be reasonable.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Foundation has evaluated events subsequent to June 30, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 30, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

The Foundation's investment policy allows for investments in equities which are components of the Standard & Poor's 500 or Dow Jones Industrial Average, fixed-income securities generally rated investment grade or better, certificates of deposit and bankruptcy-remote money market funds.

Investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,319,862	\$ 21,761,956
Fixed income securities	6,879,321	4,213,849
Mutual funds	4,961,014	6,901,453
Equities	<u>1,367,369</u>	<u>492,373</u>
	<u>\$ 26,527,566</u>	<u>\$ 33,369,631</u>

Activity in the investments during the year was as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 33,369,631	\$ 33,858,299
Purchases of investments	7,555,481	5,012,412
Sale of investments	(6,099,295)	(3,318,187)
Net cash and cash equivalent activity within investment accounts	(8,956,185)	(649,213)
Interest and dividend income, net of fees \$74,327 and \$61,225, respectively	514,091	452,930
Net realized and unrealized gains on investments	643,843	313,390
Maturities of fixed income investments	<u>(500,000)</u>	<u>(2,300,000)</u>
Balance, end of year	<u>\$ 26,527,566</u>	<u>\$ 33,369,631</u>

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

3. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 13,319,862	\$ -	\$ -	\$ 13,319,862
Fixed income securities	-	6,879,321	-	6,879,321
Mutual funds	4,961,014	-	-	4,961,014
Equities	<u>1,367,369</u>	<u>-</u>	<u>-</u>	<u>1,367,369</u>
	<u>\$ 19,648,245</u>	<u>\$ 6,879,321</u>	<u>\$ -</u>	<u>\$ 26,527,566</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 21,761,956	\$ -	\$ -	\$ 21,761,956
Fixed income securities	-	4,213,849	-	4,213,849
Mutual funds	6,901,453	-	-	6,901,453
Equities	<u>492,373</u>	<u>-</u>	<u>-</u>	<u>492,373</u>
	<u>\$ 29,155,782</u>	<u>\$ 4,213,849</u>	<u>\$ -</u>	<u>\$ 33,369,631</u>

4. PLEDGES RECEIVABLE

Future collections of pledges receivable are expected as follows:

<u>Year ending June 30,</u>	
2021	\$ <u>448,942</u>
	<u>\$ 448,942</u>

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2020 and 2019

5. WEBSITE AND SOFTWARE DEVELOPMENT COSTS

Website and software development costs consist of the following:

	2020	2019
Website development	\$ 8,375,455	\$ 7,908,972
Salesforce implementation costs	312,367	176,873
Accumulated amortization	(7,342,725)	(6,682,045)
	\$ 1,345,097	\$ 1,403,800

Amortization expense for the years ended June 30, 2020 and 2019 was \$660,680 and \$858,439, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2020	2019
Equipment	\$ 393,476	\$ 383,400
Furniture and fixtures	12,767	12,767
	406,243	396,167
Accumulated depreciation	(376,869)	(332,460)
	\$ 29,374	\$ 63,707

Depreciation expense for the years ended June 30, 2020 and 2019 was \$44,409 and \$57,389, respectively.

7. GRANTS PAYABLE

The highest quality research projects often require a commitment of two to five years of funding. All continuing grant recipients are subject to discretionary renewal, based on the fulfillment of the requirements of performing the childhood cancer research approved through the review process. The grant recipient provides appropriate and timely grant reports and complies with Foundation policies regarding the use of funds.

At June 30, 2020 and 2019, the Foundation has committed to continuing grants for Fellows, Scholars, International Scholars, and Consortia aggregating \$24,396,736 and \$24,183,938, respectively, that are scheduled to be disbursed through June 30, 2021. Management estimates the likelihood of the recipients not meeting these conditions as remote and, therefore, these grants meet the criteria for recognition of a payable contained in ASC Topic *Not-for-Profit Entities, Contributions Made* and, accordingly, have been included in the accompanying financial statements.

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7. GRANTS PAYABLE (continued)

Grant commitments that are expected to be paid within one year are recorded at net realizable value. Grant commitments that are expected to be paid in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using adjusted risk-free rates of U.S Treasury yields. For the year ended June 30, 2020, the interest rate applied was 1.75%. Amortization of the discount is included in grant expense.

Future maturities of grants payable are as follows:

<u>Year ending June 30,</u>	
2021	\$ 22,346,110
2022	<u>2,053,907</u>
	24,400,017
Less: discounts to net present value	<u>(3,281)</u>
	<u><u>\$ 24,396,736</u></u>

8. COMMITMENT

At June 30, 2020, the Foundation is obligated under a noncancelable operating lease for office space that is set to expire June 30, 2024. In addition, the Foundation is responsible for its applicable share of the landlord's direct expenses over the terms of the lease.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2021	\$ 395,426
2022	407,175
2023	456,784
2024	<u>469,976</u>
	<u><u>\$ 1,729,361</u></u>

Rent expense for the years ending June 30, 2020 and 2019 totaled \$444,538 and \$477,585, respectively.

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9. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement 401(k) plan available to eligible employees. Upon meeting the eligibility requirements, an employee may elect to contribute a percentage of base salary up to the maximum permitted by law and the Foundation agrees to contribute a matching amount. The Foundation contributes 3% of employees' salaries, regardless of their contributions. Employees become immediately vested in the 3% contribution. The Foundation also matches employee contributions, up to 7% of their salary. Employees are vested in these contributions over a five-year vesting period. The Foundation contributed \$321,726 and \$340,427 to the plan for the years ended June 30, 2020 and 2019.

10. RELATED PARTY

For the year ended June 30, 2020, the Foundation received approximately \$601,917 in contributions from members of the Board of Directors and approximately \$25,309 in contributions from employees. For the year ended June 30, 2019, the Foundation received approximately \$98,500 in contributions from members of the Board of Directors and approximately \$25,400 in contributions from employees. As the Foundation's CEO also serves as a member of the Board of Directors, her contributions are included with board member contributions.

11. LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Foundation maintains investments largely in liquid investments. The organization has also sought to maintain approximately twelve months of operating expenses (excluding grants) in liquid assets.

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

	2020	2019
Cash and cash equivalents	\$ 3,190,184	\$ 3,081,737
Investments	26,527,566	33,369,631
	29,717,750	36,451,368
Grants payable	(24,396,736)	(24,183,938)
	\$ 5,321,014	\$ 12,267,430

Assets available for general expenditure represent approximately twelve months of operating expenditures at both June 30, 2020 and 2019.

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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
Purpose restricted	\$ 1,213,173	\$ 1,412,708
Purpose restricted for 18 months	480,931	327,402
Time restricted	448,942	621,000
	\$ 2,143,046	\$ 2,361,110

Purpose-restricted net assets consist primarily of contributions in support of research for specific types of cancer. The Foundation has certain agreements with donors that provide for the expiration of a donor restriction at the end of 18 months if a suitable research project has not been identified. These contributions are classified as restricted until the funds are used for the restricted purpose or the restriction has lapsed.

13. PAYCHECK PROTECTION PROGRAM

In April 2020, the Foundation was approved for a Paycheck Protection Program ("PPP") loan under the U.S. Small Business Administration ("SBA") in the amount of \$826,000 to help keep its workforce employed during the COVID-19 crisis. Under the Coronavirus Aid, Relief, and Economic Security ("CARES") act, the SBA will forgive the loan if employees are kept on payroll for either eight or twenty-four weeks and the funds are used for payroll, rent, mortgage interest, or utilities. The loan has a maturity of two years and an interest rate of 1%. The Foundation expects the entirety of this loan amount to be forgiven.

The Foundation has concluded the PPP loan represents, in substance, a grant that is expected to be forgiven and is accounting for the advance in accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, as a conditional contribution under which (1) proceeds from the loan are initially recorded as a refundable advance, and (2) the refundable advance is reduced and the contribution is recognized when the conditions of release have been substantially met or explicitly waived. As the Foundation believes it has met the PPP's eligibility criteria for expenditures made as of June 30, 2020, the Foundation has recognized expenditures of \$650,200. The remaining funds were expended subsequent to that date, and the Foundation has submitted its application for forgiveness.

14. RESTATEMENT

Management identified and corrected certain misclassified contributions that should have been restricted in its prior year financial statements. As a result, certain previously reported amounts at June 30, 2019 have been restated. As the development team maintained the information that was coordinated with the grant making process, there was no risk of inadvertently spending the funds on activities inconsistent with donor restrictions. Management has implemented additional internal controls.

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14. RESTATEMENT (continued)

The following table shows the effect of the correction of an error as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As previously reported, June 30, 2019	\$ 12,185,654	\$ 1,941,862	\$ 14,127,516
Correction of error - understatement of net assets restricted	<u>(419,248)</u>	<u>419,248</u>	<u>-</u>
As restated, June 30, 2019	<u>\$ 11,766,406</u>	<u>\$ 2,361,110</u>	<u>\$ 14,127,516</u>

15. RISKS AND UNCERTAINTIES

The Foundation's operations may be adversely affected by health epidemics including the recent coronavirus outbreak. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Foundation is headquartered, have declared a state of emergency.

The Foundation itself was able to transition to a work from home environment within days of California's governor issuing a Stay at Home order on March 19, 2020 due to prior investments in technology. The Foundation's peer to peer, events based and primary fundraising model has been disrupted by the pandemic and related restrictions on gatherings. As such, the Foundation developed opportunities for virtual events on multiple social platforms as an alternative fundraising option for events. Although the Foundation continues to monitor and assess the effects of the COVID-19 pandemic on the Foundation, the ultimate impact of the COVID-19 outbreak or similar health epidemic is highly uncertain and subject to change.