

NATIONAL FOUNDATION FOR CANCER RESEARCH, INC. AND AFFILIATES
Consolidated Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Reports

National Foundation for Cancer Research, Inc. and Affiliates
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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the National Foundation for Cancer Research Inc. and Affiliates (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the National Foundation for Cancer Research Inc. and Affiliates as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the National Foundation for Cancer Research Inc. and Affiliates, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities as of and for the years ended December 31, 2022 and 2021 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Withum Smith & Brown, PC

June 14, 2023

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 1,980,566	\$ 2,244,222
Accounts receivable	58,323	87,021
Prepaid expenses and other assets	483,324	196,004
Fixed assets, net of accumulated depreciation and amortization	29,069	35,935
Investments, at fair value	4,695,233	5,539,340
Amounts held in trusts by others, at fair value	2,427,684	3,033,500
Convertible note receivable	200,000	-
Right of use asset	<u>847,904</u>	<u>1,040,237</u>
 Total assets	 <u>\$ 10,722,103</u>	 <u>\$ 12,176,259</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 631,769	\$ 959,986
Research contracts and grants payable	1,285,132	228,483
Accrued compensation and benefits	244,801	204,029
Research loan payable	-	200,000
Lease liability	<u>949,794</u>	<u>1,150,621</u>
Total liabilities	<u>3,111,496</u>	<u>2,743,119</u>
Net assets		
Without donor restrictions	4,280,756	5,417,698
With donor restrictions	<u>3,329,851</u>	<u>4,015,442</u>
Total net assets	<u>7,610,607</u>	<u>9,433,140</u>
 Total liabilities and net assets	 <u>\$ 10,722,103</u>	 <u>\$ 12,176,259</u>

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

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Public support	\$ 6,509,311	\$ 111,693	\$ 6,621,004	\$ 7,559,349	\$ 115,006	\$ 7,674,355
Bequests	1,124,995	-	1,124,995	1,044,493	-	1,044,493
Mailing list rental	86,700	-	86,700	141,025	-	141,025
Net investment return	(825,333)	-	(825,333)	619,511	-	619,511
Change in value of split-interest agreements	2,068	(605,816)	(603,748)	(11,073)	213,636	202,563
Gain on forgiveness of loans payable (PPP loans)	-	-	-	800,000	-	800,000
Other revenue	230,906	-	230,906	31,344	-	31,344
Non-cash research support	-	-	-	103,187	-	103,187
Net assets released from restrictions	191,468	(191,468)	-	226,606	(226,606)	-
Total revenue and support	<u>7,320,115</u>	<u>(685,591)</u>	<u>6,634,524</u>	<u>10,514,442</u>	<u>102,036</u>	<u>10,616,478</u>
Expenses						
Program services						
Cancer research	3,841,341	-	3,841,341	5,810,774	-	5,810,774
Public education and information	2,297,991	-	2,297,991	2,239,458	-	2,239,458
	<u>6,139,332</u>	<u>-</u>	<u>6,139,332</u>	<u>8,050,232</u>	<u>-</u>	<u>8,050,232</u>
Supporting services						
Fundraising	1,588,578	-	1,588,578	1,518,497	-	1,518,497
Management and general	729,147	-	729,147	745,259	-	745,259
	<u>2,317,725</u>	<u>-</u>	<u>2,317,725</u>	<u>2,263,756</u>	<u>-</u>	<u>2,263,756</u>
Total expenses	<u>8,457,057</u>	<u>-</u>	<u>8,457,057</u>	<u>10,313,988</u>	<u>-</u>	<u>10,313,988</u>
Change in net assets	(1,136,942)	(685,591)	(1,822,533)	200,454	102,036	302,490
Net assets						
Beginning of year	<u>5,417,698</u>	<u>4,015,442</u>	<u>9,433,140</u>	<u>5,217,244</u>	<u>3,913,406</u>	<u>9,130,650</u>
End of year	<u>\$ 4,280,756</u>	<u>\$ 3,329,851</u>	<u>\$ 7,610,607</u>	<u>\$ 5,417,698</u>	<u>\$ 4,015,442</u>	<u>\$ 9,433,140</u>

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

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	2022					2021				
	Cancer Research	Public Education and Information	Fundraising	Management and General	Total	Cancer Research	Public Education and Information	Fundraising	Management and General	Total
Accounting and auditing	\$ -	\$ -	\$ -	\$ 53,172	\$ 53,172	\$ -	\$ -	\$ -	\$ 49,131	\$ 49,131
Bank and payroll service fees	-	-	-	98,131	98,131	-	-	-	84,219	84,219
Creative fees	-	2,591	2,509	-	5,100	-	1,905	2,645	-	4,550
Data services	15,606	223,707	147,557	4,406	391,276	11,421	221,897	150,345	4,091	387,754
Depreciation and amortization	7,727	3,269	1,399	2,372	14,767	16,366	8,709	3,239	6,095	34,409
Dues and subscriptions	21,551	-	-	16,794	38,345	3,766	-	-	25,197	28,963
Federal campaign	-	-	10,924	-	10,924	-	-	3,558	-	3,558
Insurance	14,176	5,874	2,539	4,345	26,934	13,911	7,401	2,752	4,740	28,804
Legal fees and expenses	800	-	-	22,510	23,310	-	-	-	31,122	31,122
Licenses and permits	-	-	-	22,695	22,695	-	-	-	25,416	25,416
Listing processing fees	-	10,957	7,338	-	18,295	-	12,004	8,189	-	20,193
List rental	-	61,189	26,157	-	87,346	-	68,506	30,612	-	99,118
Lockbox and data entry	-	50,493	32,322	-	82,815	-	45,557	31,152	-	76,709
Major gifts	-	-	-	-	-	-	-	4,169	-	4,169
Mail shop fees	-	92,469	246,555	-	339,024	-	75,611	287,120	-	362,731
Miscellaneous	-	7,466	-	5,540	13,006	-	4,674	998	23,043	28,715
Non-cash contributions	-	-	-	-	-	103,187	-	-	-	103,187
Occupancy	120,707	50,344	21,786	37,287	230,124	110,531	58,602	21,779	41,079	231,991
Office supplies and expenses	7,428	3,090	1,342	2,308	14,168	8,103	4,389	1,635	3,047	17,174
Other professional fees	272,726	69,684	60,095	4,299	406,804	279,370	45,632	33,138	21,976	380,116
Personnel	1,179,514	481,652	207,318	377,726	2,246,210	1,006,351	537,819	200,161	399,642	2,143,973
Planned giving	-	-	7,690	600	8,290	-	-	-	7,700	7,700
Postage	50	497,944	351,622	871	850,487	76	548,817	391,769	945	941,607
Printing and publication	-	669,646	427,708	18,950	1,116,304	-	525,701	330,313	6,741	862,755
Public education and website	-	62,771	16,945	822	80,538	414	67,371	13,117	750	81,652
Research contracts and grants	2,177,163	-	-	-	2,177,163	4,237,526	-	-	-	4,237,526
Telephone services	10,666	4,410	1,904	3,268	20,248	9,227	4,863	1,806	3,539	19,435
Travel and business meetings	13,227	435	14,868	53,051	81,581	10,525	-	-	6,786	17,311
	<u>\$ 3,841,341</u>	<u>\$ 2,297,991</u>	<u>\$ 1,588,578</u>	<u>\$ 729,147</u>	<u>\$ 8,457,057</u>	<u>\$ 5,810,774</u>	<u>\$ 2,239,458</u>	<u>\$ 1,518,497</u>	<u>\$ 745,259</u>	<u>\$ 10,313,988</u>

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

National Foundation for Cancer Research, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Change in net assets	\$ (1,822,533)	\$ 302,490
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net investment return	825,333	(373,957)
Donated investment securities	(117,238)	(20,739)
Depreciation and amortization	14,767	34,409
Amounts held in trust by others	605,816	(213,636)
Forgiveness of PPP loan	-	(800,000)
Changes in operating assets and liabilities		
Accounts and notes receivable	(171,302)	(16,102)
Prepaid expenses and other assets	(287,320)	(15,928)
Amortization of right of use asset	192,333	186,982
Accounts payable	(328,217)	458,297
Research contracts and grants payable	1,056,649	(515,402)
Research loan payable	(200,000)	200,000
Accrued compensation and benefits	40,772	3,423
Lease liability	<u>(200,827)</u>	<u>(189,334)</u>
Net cash used in operating activities	<u>(391,767)</u>	<u>(959,497)</u>
Investing activities		
Purchases of investments	(259,144)	(101,616)
Sales of investments	395,156	748,946
Purchases of fixed assets	<u>(7,901)</u>	<u>(3,112)</u>
Net cash provided by investing activities	<u>128,111</u>	<u>644,218</u>
Financing activities		
Proceeds from PPP loan	<u>-</u>	<u>400,000</u>
Net cash provided by financing activities	<u>-</u>	<u>400,000</u>
Net change in cash	(263,656)	84,721
Cash		
Beginning of year	<u>2,244,222</u>	<u>2,159,501</u>
End of year	<u>\$ 1,980,566</u>	<u>\$ 2,244,222</u>
Supplemental disclosure of cash flow information		
Cash paid for income taxes	<u>\$ 1,500</u>	<u>\$ -</u>

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

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

1. ORGANIZATION

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

NFCR established five tax exempt entities: The Cancer Research Laboratories Foundation, Inc. (established in 1996), the Cancer Research Coalition (established in 1997), the Darwin Foundation (formerly, the Consortium for Clinical Diagnostics ("CCDx"), NFCR Western Chapter, and NFCR Mid-Atlantic Chapter. The Cancer Research Laboratories Foundation, Inc. and the Cancer Research Coalition were inactive and had no net assets for the years ended December 31, 2022 and 2021. CCDx was incorporated in March 2003, as a tax-exempt, supporting organization to NFCR. The Western and Mid-Atlantic chapters were created in 2011 to assist with fundraising. The Mid-Atlantic and Western Chapters were formally dissolved in 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Consolidation

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

Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Accounts Receivable

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Receivables consist mainly of amounts due from the rental of the Foundation's mailing list. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Management believes the amounts in accounts receivable at December 31, 2022 and 2021 are fully collectible.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Convertible Note Receivable

On June 28, 2022, in exchange for value received, a U.S. based therapeutics company (the "Company") promised to pay the Foundation \$200,000 in the form of a note receivable, with simple interest of 7% per year. Interest began accruing upon execution of the note and all outstanding principal and interest shall be due and payable upon request of the Foundation on or after July 1, 2024, unless the note has or will be otherwise converted to equity securities.

In the event the Company issues and sells shares of its equity securities for greater than \$500,000 to investors while this note remains outstanding, then the amount of this note, and any accrued unpaid interest shall convert into equity securities at a conversion price agreed upon by the Foundation and the Company. If the conversion price of the note is less than the price per share at which equity securities are issued in the qualified financing, the Company may elect to convert this note into shares of preferred stock having the identical rights as equity securities issued in the financing.

In the event that this note remains outstanding on the maturity date, then the outstanding principal balance of the note and any unpaid accrued interest shall automatically convert into shares of the Company's common stock at a conversion price agreed upon by the Foundation and the Company as of the maturity date.

Should the Company consummate a change of control while the note remains outstanding, the Company shall repay the Foundation in cash in an amount equal to the outstanding principal amount of this note plus any unpaid accrued interest on the original principal.

Research Loan Payable

On February 1, 2021, the Foundation received funds from a lender in the form of a loan and subsequently used the funds to invest \$200,000 in a U.S. based therapeutics company. No interest was charged on the loan, and the entire balance was recovered in June 2022 through forgiveness of the balance by the lender.

Net Assets

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

Support With and Without Donor Restrictions

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

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Bequests

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

Prepaid Expenses

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

Fixed Assets

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

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

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

Investments and Investment Income

Investments in equity and debt securities are stated at fair value. The gains and losses (unrealized and realized) in the fair value of investments are comprised of the net changes in the fair values of investments bought, sold and held during the year and are recognized in the year in which they occur. Purchases and sales of investments are reflected on a trade date basis. Dividend income is recognized as of the ex-dividend date. All other income from investments is recognized as earned on the accrual basis.

Amounts Held in Trust by Others

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

Mailing List Rental Revenue

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

Contributions

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

Research Contracts and Grants

The Foundation awards both research contracts and grants.

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Research Contracts

The Foundation enters into agreements with universities and other institutions to conduct scientific research on their premises, in accordance with policies established by the board of directors of the Foundation. Research contracts payable represents research expenses incurred during the years ended December 31, 2022 and 2021 under these contracts, but not yet paid to the institutions by December 31, 2022 and 2021. The Foundation recognizes grants made, including unconditional promises, as expenses in the period made. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized in expense until the conditions on which they depend have been substantially met.

Grants

The Foundation awards certain research grants to selected scientists to fund their research programs in accordance with policies established by the board of directors of the Foundation. The Foundation records these as expenses once the grants are awarded. Grants payable represent such awards that have not yet been paid to the respective scientists by December 31, 2022 and 2021.

Functional Allocation of Expenses

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

Accounting Pronouncements Adopted

Gifts In-Kind

The Foundation adopted the presentation and disclosure requirements of ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) on a retrospective basis as of January 1, 2021. This ASU requires presentation of contributed nonfinancial assets apart from contributions of cash and other financial assets, along with expanded disclosure requirements. The adoption of this standard did not have a significant impact on the Foundation's financial statements. See Note 14 for the detail of the noncash research support in 2021. There was no non-cash research support during 2022.

3. TAX STATUS

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

National Foundation for Cancer Research, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Accounting principles generally accepted in the United States of America require management to evaluate income tax positions taken and accrue an income tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated the income tax positions taken and concluded that as of December 31, 2022 there are no uncertain positions taken or expected to be taken that would require recognition in the consolidated financial statements. The Foundation and affiliates are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. In addition, there have been no tax related interest or penalties for the periods presented in these consolidated financial statements. Should such penalties and interest be incurred, the Foundation's policy is to recognize them as general and administrative expenses on the consolidated statements of activities.

4. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, all net assets with donor restrictions are restricted to specific types of cancer research or they are subject to donor time restrictions, as follows:

	<u>2022</u>	<u>2021</u>
Net assets subject to time restrictions		
imposed by charitable trusts	\$ 626,605	\$ 732,933
Net assets subject to restrictions on use	648,531	728,306
Net assets perpetual in nature	<u>2,054,715</u>	<u>2,554,203</u>
	<u>\$ 3,329,851</u>	<u>\$ 4,015,442</u>

Net assets released from restriction for the years ended December 31, 2022 and 2021 represent expenditures for specific types of cancer research that have accomplished the imposed restrictions.

Perpetual in nature, net assets consist of perpetual trusts for which the Foundation is named as a beneficiary and values are based upon the fair market value of the securities on the 2022 and 2021 year end statements.

5. INVESTMENTS

At December 31, 2022 and 2021, the value of the Foundation's consolidated investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 285,783	\$ 581,104
Corporate bonds	322,925	491,146
U.S. government bonds	549,729	721,682
Common and preferred stocks	2,255,787	2,512,341
Mutual funds	517,272	502,124
Exchange traded funds	<u>763,737</u>	<u>730,943</u>
	<u>\$ 4,695,233</u>	<u>\$ 5,539,340</u>

National Foundation for Cancer Research, Inc. and Affiliates
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The Foundation's consolidated net investment return for the years ended December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 199,803	\$ 245,554
Realized (losses) gains	(61,588)	218,891
Unrealized (losses) gains	(935,697)	213,085
Investment management fees	<u>(27,851)</u>	<u>(58,019)</u>
	<u>\$ (825,333)</u>	<u>\$ 619,511</u>

Investment management fees for the years ended December 31, 2022 and 2021 are all external investment fees.

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

The valuation methodology was not changed during the years ended December 31, 2022 and 2021.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2022 and 2021, there were no transfers in or out of Levels 1, 2 or 3.

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

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

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

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

Amounts held in trust are valued at the fair value of the underlying investments held by the trust.

As of December 31, 2022 and 2021, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2022			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 285,783	\$ -	\$ -	\$ 285,783
Corporate bonds	-	322,925	-	322,925
U.S. government bonds	549,729	-	-	549,729
Common and preferred stocks	2,255,787	-	-	2,255,787
Mutual funds	517,272	-	-	517,272
Exchange traded funds	763,737	-	-	763,737
Amounts held in trust by others	-	2,427,684	-	2,427,684
	<u>\$ 4,372,308</u>	<u>\$ 2,750,609</u>	<u>\$ -</u>	<u>\$ 7,122,917</u>
	2021			
	Level 1	Level 2	Level 3	Total Fair Value
Money market funds	\$ 592,130	\$ -	\$ -	\$ 592,130
Corporate bonds	-	491,146	-	491,146
U.S. government bonds	721,682	-	-	721,682
Common and preferred stocks	2,501,315	-	-	2,501,315
Mutual funds	502,124	-	-	502,124
Exchange traded funds	730,943	-	-	730,943
Amounts held in trust by others	-	3,033,500	-	3,033,500
	<u>\$ 5,048,194</u>	<u>\$ 3,524,646</u>	<u>\$ -</u>	<u>\$ 8,572,840</u>

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7. FIXED ASSETS

As of December 31, 2022 and 2021, the Foundation's fixed assets consist of the following:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 45,382	\$ 45,382
Computer equipment and software	154,284	146,383
Leasehold improvements	<u>26,890</u>	<u>26,890</u>
	226,556	218,655
Accumulated depreciation and amortization	<u>(197,487)</u>	<u>(182,720)</u>
	<u>\$ 29,069</u>	<u>\$ 35,935</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$14,767 and \$34,409, respectively.

8. AMOUNTS HELD IN TRUST BY OTHERS

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

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

The fair value of perpetual trusts at December 31, 2022 and 2021 is \$2,034,714 and \$2,534,205, respectively. The change in the beneficial interest in perpetual trusts for the years ended December 31, 2022 and 2021 is (\$499,490) and \$194,087, respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

The Foundation's interests in charitable remainder trusts at December 31, 2022 and 2021 are \$392,970 and \$499,295, respectively. The change in the beneficial interest in charitable remainder trusts for the years ended December 31, 2022 and 2021 is (\$106,326) and \$19,549, respectively, and is included in the change in value of split-interest agreements on the consolidated statements of activities.

9. DESIGNATED FOR RESEARCH CONTRACTS

At December 31, 2022 and 2021, the board of directors has designated net assets without donor restrictions, in order to fulfill contract commitments to universities and institutions, for research amounting to \$2,095,000 and \$3,175,000, respectively.

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10. LEASE COMMITMENTS

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

Beginning March 1, 2018, the Foundation leased office space under a noncancelable operating lease that expires January 31, 2027. Under this lease, base monthly rent is \$17,232 and increases each year by 2.75%.

The weighted average remaining life of the lease term is 5 years and the weighted average discount rate used is 2.75% to determine the remaining operating lease liability. Total cash paid for operating lease liabilities for the year ended for the years ended December 31, 2022 and 2021 totaled \$229,957 and \$223,815, respectively.

As of December 31, 2022, the maturity of the undiscounted cash flows of the operating lease liabilities for the lease for the years ending December 31 are as follows:

2023	\$ 236,293
2024	242,767
2025	249,433
2026	256,299
2027	<u>21,406</u>
Total operating lease payments	1,006,198
Less: Imputed interest	<u>(56,404)</u>
Total operating lease liabilities	<u>\$ 949,794</u>

Occupancy expense for the years ended December 31, 2022 and 2021 was \$230,124 and \$231,991, respectively.

11. RETIREMENT PLAN

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

The safe harbor and discretionary contribution that the Foundation makes to the plan is unrelated to whether an employee makes an elective deferral in a particular year. For the years ended December 31, 2022 and 2021, retirement expense was \$187,153 and \$191,682, respectively.

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12. ALLOCATION OF JOINT COSTS

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

To properly allocate joint costs, the Foundation used a rational and systematic method, that was applied consistently. All joint costs are proportionally allocated to the program and fundraising based on the content of informational materials and fundraising appeal, such as lines or square inches of the two components.

For the years ended December 31, 2022 and 2021, the Foundation incurred joint costs of \$2,826,252 and \$2,649,178, respectively, which were allocated as follows:

	<u>2022</u>	<u>2021</u>
Public education and information	\$ 1,712,623	\$ 1,607,041
Fundraising	<u>1,113,629</u>	<u>1,042,137</u>
	<u>\$ 2,826,252</u>	<u>\$ 2,649,178</u>

13. CONCENTRATIONS

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

The Company has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

14. NON-CASH RESEARCH SUPPORT

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

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

The effect of these donations is to allow the Foundation to expand the research that would otherwise be performed under the contract. The institutions provide the Foundation with a measurable basis in order to quantify the estimated fair value of the donated property. Starting in 2022, the Foundation no longer solicited noncash donations from researchers and their institutions.

For the years ended December 31, 2022 and 2021, noncash support consisted of the following:

<u>Non-Financial Contributions Category</u>	<u>Type of Contributions for Beneficiaries</u>	<u>Valuation</u>	<u>2022</u>	<u>2021</u>
Contract rights for use of supercomputer time	Resources to aid in Cancer Research	Third Party	\$ -	\$ 2,500
Chemicals, materials, and equipment		Estimates based on similar products or billing rates	-	100,687
			<u>\$ -</u>	<u>\$ 103,187</u>

15. LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>			
	<u>Consolidated Statement of Financial Position</u>	<u>Restricted Funds</u>	<u>Board Designated Funds</u>	<u>Financial Assets Available for General</u>
Cash	\$ 1,980,566	\$ 648,531	\$ -	\$ 1,332,035
Investments	4,695,233	253,636	2,095,000	2,346,597
Amounts held in trusts by others	<u>2,427,684</u>	<u>2,427,684</u>	-	-
	<u>\$ 9,103,483</u>	<u>\$ 3,329,851</u>	<u>\$ 2,095,000</u>	<u>\$ 3,678,632</u>
	<u>2021</u>			
	<u>Consolidated Statement of Financial Position</u>	<u>Restricted Funds</u>	<u>Board Designated Funds</u>	<u>Financial Assets Available for General</u>
Cash	\$ 2,244,222	\$ 728,306	\$ -	\$ 1,515,916
Investments	5,539,340	253,636	3,175,000	2,110,704
Amounts held in trusts by others	<u>3,033,500</u>	<u>3,033,500</u>	-	-
	<u>\$ 10,817,062</u>	<u>\$ 4,015,442</u>	<u>\$ 3,175,000</u>	<u>\$ 3,626,620</u>

At December 31, 2022 and 2021, the Foundation had \$3,678,632 and \$3,626,620, respectively, of financial assets available to meet cash needs for general expenditures. Assets available consists of cash of \$1,332,035 and \$1,515,916, and investments of \$2,346,597 and \$2,110,704 at December 31, 2022 and 2021, respectively. The difference between cash, investments, and amounts held in trust by others per above and the balances per the consolidated statements of financial position is due to amounts that are contractually restricted and/or donor restricted, which are not available for general expenditure.

National Foundation for Cancer Research, Inc. and Affiliates
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16. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of June 14, 2023, the date the consolidated financial statements were available for release. Based upon this evaluation, the Foundation has determined that no subsequent events have occurred which require disclosure in or adjustment to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

National Foundation for Cancer Research, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2022

	<u>NFCR</u>	<u>Darwin Foundation</u>	<u>NFCR Western Chapter</u>	<u>NFCR Mid- Atlantic Chapter</u>	<u>Eliminations</u>	<u>Total</u>
Assets						
Cash	\$ 1,977,541	\$ 3,025	\$ -	\$ -	\$ -	\$ 1,980,566
Accounts receivable	58,323	-	-	-	-	58,323
Prepaid expenses and other assets	483,324	-	-	-	-	483,324
Fixed assets, net of accumulated depreciation and amortization	29,069	-	-	-	-	29,069
Investments, at fair value	4,695,233	-	-	-	-	4,695,233
Amounts held in trust by others, at fair value	2,427,684	-	-	-	-	2,427,684
Convertible note receivable	200,000	-	-	-	-	200,000
Right of use asset	847,904	-	-	-	-	847,904
Total assets	<u>\$ 10,719,078</u>	<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,722,103</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 631,769	\$ -	\$ -	\$ -	\$ -	\$ 631,769
Research contracts and grants payable	1,285,132	-	-	-	-	1,285,132
Accrued compensation and benefits	244,801	-	-	-	-	244,801
Lease liability	949,794	-	-	-	-	949,794
Total liabilities	<u>3,111,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,111,496</u>
Net assets						
Without donor restrictions	4,277,731	3,025	-	-	-	4,280,756
With donor restrictions	3,329,851	-	-	-	-	3,329,851
Total net assets	<u>7,607,582</u>	<u>3,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,610,607</u>
Total liabilities and net assets	<u>\$ 10,719,078</u>	<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,722,103</u>

See Independent Auditor's Report.

National Foundation for Cancer Research, Inc. and Affiliates
Consolidating Statement of Activities
Year Ended December 31, 2022

	<u>NFCR</u>	<u>Darwin Foundation</u>	<u>NFCR Western Chapter</u>	<u>NFCR Mid- Atlantic Chapter</u>	<u>Elimination</u>	<u>Total</u>
Revenue and support						
Public support	\$ 6,715,550	\$ -	\$ -	\$ -	\$ (206,239)	\$ 6,509,311
Bequests	1,124,995	-	-	-	-	1,124,995
Mailing list rental	86,700	-	-	-	-	86,700
Net investment return	(825,333)	-	-	-	-	(825,333)
Changes in value of split-interest agreements	2,068	-	-	-	-	2,068
Other revenue	230,906	-	-	-	-	230,906
Net assets released from restrictions	191,468	-	-	-	-	191,468
Total revenue and support	<u>7,526,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206,239)</u>	<u>7,320,115</u>
Expenses						
Program services						
Cancer research	3,841,341	161,762	21,014	23,463	(206,239)	3,841,341
Public education and information	2,297,991	-	-	-	-	2,297,991
	<u>6,139,332</u>	<u>161,762</u>	<u>21,014</u>	<u>23,463</u>	<u>(206,239)</u>	<u>6,139,332</u>
Supporting services						
Fundraising	1,588,578	-	-	-	-	1,588,578
Management and general	729,147	-	-	-	-	729,147
	<u>2,317,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,317,725</u>
Total expenses	<u>8,457,057</u>	<u>161,762</u>	<u>21,014</u>	<u>23,463</u>	<u>(206,239)</u>	<u>8,457,057</u>
Change in net assets without donor restrictions	<u>(930,703)</u>	<u>(161,762)</u>	<u>(21,014)</u>	<u>(23,463)</u>	<u>-</u>	<u>(1,136,942)</u>
Change in net assets with donor restrictions						
Revenue and support						
Public support	111,693	-	-	-	-	111,693
Change in value of split-interest agreements	(605,816)	-	-	-	-	(605,816)
Net assets released from restrictions	(191,468)	-	-	-	-	(191,468)
Change in net assets with donor restrictions	<u>(685,591)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(685,591)</u>
Change in net assets	<u>(1,616,294)</u>	<u>(161,762)</u>	<u>(21,014)</u>	<u>(23,463)</u>	<u>-</u>	<u>(1,822,533)</u>
Net assets						
Beginning of year	<u>9,223,876</u>	<u>164,787</u>	<u>21,014</u>	<u>23,463</u>	<u>-</u>	<u>9,433,140</u>
End of year	<u>\$ 7,607,582</u>	<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,610,607</u>

See Independent Auditor's Report.