



National Brain Tumor Society

AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Contents
December 31, 2020 and 2019

	<u>Pages</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Changes in Net Assets	3
Consolidated Statements of Cash Flows	4
Consolidated Statements of Functional Expenses	5 - 6
Notes to Consolidated Financial Statements	7 - 16



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Independent Auditor's Report

To the Board of Directors of
National Brain Tumor Society, Inc. and Subsidiaries:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Brain Tumor Society, Inc. (a Massachusetts corporation, not for profit) and Subsidiaries which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Brain Tumor Society, Inc. and Subsidiaries as of December 31, 2020 and 2019, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
April 22, 2021

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 8,059,747	\$ 6,422,000
Current portion of pledges receivable, net of allowance for doubtful accounts	256,700	189,200
Current portion of convertible notes and interest receivable	516,071	-
Prepaid expenses and other assets	184,531	176,834
Total current assets	9,017,049	6,788,034
Pledges Receivable, net of current portion	-	100,000
Convertible Notes and Interest Receivable, net of current portion	102,176	-
Security Deposits	35,210	36,210
Investments	869,348	849,578
Property and Equipment, net	9,359	14,146
Total assets	<u>\$ 10,033,142</u>	<u>\$ 7,787,968</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 118,677	\$ 178,263
Accrued expenses	71,277	260,866
Refundable advances	25,000	-
Current portion of accrued rent	27,625	21,344
Research grants payable	500,000	500,000
Total current liabilities	742,579	960,473
Notes Payable and Accrued Interest	699,882	-
Accrued Rent, net of current portion	35,570	63,195
Total liabilities	<u>1,478,031</u>	<u>1,023,668</u>
Net Assets:		
Without donor restrictions	3,431,389	2,339,672
With donor restrictions	5,123,722	4,424,628
Total net assets	<u>8,555,111</u>	<u>6,764,300</u>
Total liabilities and net assets	<u>\$ 10,033,142</u>	<u>\$ 7,787,968</u>

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

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

 Consolidated Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Fundraising and special events	\$ 3,961,160	\$ 537,084	\$ 4,498,244	\$ 7,599,319	\$ 839,005	\$ 8,438,324
Grants and contributions	1,829,985	1,843,079	3,673,064	1,503,201	3,763,696	5,266,897
Bequests	665,657	-	665,657	250,000	-	250,000
Interest, dividends and other	68,697	-	68,697	33,770	-	33,770
Donated goods and services	40,489	-	40,489	221,747	-	221,747
Net assets released from purpose restrictions	1,681,069	(1,681,069)	-	1,488,929	(1,488,929)	-
Total operating revenue	8,247,057	699,094	8,946,151	11,096,966	3,113,772	14,210,738
Operating Expenses:						
Program	6,220,613	-	6,220,613	8,258,836	-	8,258,836
Fundraising	620,200	-	620,200	1,111,468	-	1,111,468
General and administrative	332,118	-	332,118	371,194	-	371,194
Total operating expenses	7,172,931	-	7,172,931	9,741,498	-	9,741,498
Changes in net assets from operations	1,074,126	699,094	1,773,220	1,355,468	3,113,772	4,469,240
Non-Operating Revenue:						
Net gain on investments	17,591	-	17,591	3,223	-	3,223
Endowment contributions	-	-	-	-	56,901	56,901
Total non-operating revenue	17,591	-	17,591	3,223	56,901	60,124
Changes in net assets	1,091,717	699,094	1,790,811	1,358,691	3,170,673	4,529,364
Net Assets:						
Beginning of year	2,339,672	4,424,628	6,764,300	980,981	1,253,955	2,234,936
End of year	\$ 3,431,389	\$ 5,123,722	\$ 8,555,111	\$ 2,339,672	\$ 4,424,628	\$ 6,764,300

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

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,790,811	\$ 4,529,364
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,787	8,546
Bad debt	71,104	27,500
Net gain on investments	(17,591)	(3,223)
Endowment contributions	-	(56,901)
Changes in operating assets and liabilities:		
Pledges receivable	(38,604)	(233,700)
Prepaid expenses and other assets	(7,697)	(15,213)
Security deposits	1,000	7,000
Interest receivable	(18,247)	-
Accounts payable	(59,586)	(14,244)
Accrued expenses	(189,589)	68,967
Refundable advances	25,000	-
Research grants payable	-	(750,000)
Accrued rent	(21,344)	(15,062)
Accrued interest	4,582	-
	<u>1,544,626</u>	<u>3,553,034</u>
Net cash provided by operating activities		
	<u>1,544,626</u>	<u>3,553,034</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	40,100	50,000
Purchases of investments and dividends reinvested	(42,279)	(314,501)
Issuance of notes receivable	(600,000)	-
Acquisition of property and equipment	-	(12,364)
	<u>(602,179)</u>	<u>(276,865)</u>
Net cash used in investing activities		
	<u>(602,179)</u>	<u>(276,865)</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable	695,300	-
Endowment contributions	-	56,901
	<u>695,300</u>	<u>56,901</u>
Net cash provided by financing activities		
	<u>695,300</u>	<u>56,901</u>
Net Change in Cash and Cash Equivalents	1,637,747	3,333,070
Cash and Cash Equivalents:		
Beginning of year	<u>6,422,000</u>	<u>3,088,930</u>
End of year	<u>\$ 8,059,747</u>	<u>\$ 6,422,000</u>
Supplemental Disclosure of Non-cash Transactions:		
Unrealized gain on investments	<u>\$ 12,791</u>	<u>\$ 2,499</u>

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

Page 4

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2020

(With Summarized Comparative Totals for the Year Ended December 31, 2019)

	2020			2019	
	Program	Fundraising	General and Administrative	Total	Total
Expenses:					
Personnel:					
Salaries	\$ 3,102,099	\$ 434,844	\$ 63,920	\$ 3,600,863	\$ 3,789,187
Payroll taxes and fringe benefits	518,785	51,069	10,119	579,973	715,774
Total personnel	3,620,884	485,913	74,039	4,180,836	4,504,961
Research grants	968,121	-	-	968,121	1,592,534
Other:					
Professional services	321,931	13,045	99,847	434,823	685,166
Systems and technology	255,113	32,399	17,672	305,184	273,007
Special events	218,641	14,669	7,700	241,010	885,883
Occupancy	187,936	23,492	23,492	234,920	252,212
Bank fees	154,270	22,731	9,075	186,076	332,792
Technology	93,957	5,748	17,489	117,194	35,722
Merchandise	98,167	6,333	1,056	105,556	276,332
Advertising	79,918	-	-	79,918	143,473
Bad debt	-	-	71,104	71,104	27,500
Travel	37,242	4,134	69	41,445	254,976
Donated goods and services	40,489	-	-	40,489	221,747
Postage and shipping	32,591	3,376	550	36,517	47,095
Dues and subscriptions	30,140	5,701	78	35,919	73,493
Insurance	28,899	-	3,211	32,110	28,294
Office	18,417	126	3,674	22,217	65,001
Training and recruiting	16,349	614	1,804	18,767	22,657
Public relations	8,403	542	90	9,035	9,424
Miscellaneous	5,523	690	690	6,903	683
Depreciation	3,622	687	478	4,787	8,546
Total other	1,631,608	134,287	258,079	2,023,974	3,644,003
Total expenses	\$ 6,220,613	\$ 620,200	\$ 332,118	\$ 7,172,931	\$ 9,741,498

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total</u>
Expenses:				
Personnel:				
Salaries	\$ 2,931,315	\$ 701,236	\$ 156,636	\$ 3,789,187
Payroll taxes and fringe benefits	567,463	118,111	30,200	715,774
Total personnel	<u>3,498,778</u>	<u>819,347</u>	<u>186,836</u>	<u>4,504,961</u>
Research grants	<u>1,592,534</u>	-	-	<u>1,592,534</u>
Other:				
Professional services	590,278	52,471	42,417	685,166
Systems and technology	227,123	30,685	15,199	273,007
Special events	823,764	49,600	12,519	885,883
Occupancy	138,717	63,053	50,442	252,212
Bank fees	281,423	33,691	17,678	332,792
Technology	30,367	3,570	1,785	35,722
Merchandise	270,617	4,776	939	276,332
Advertising	140,550	1,949	974	143,473
Bad debt	-	-	27,500	27,500
Travel	230,222	21,673	3,081	254,976
Donated goods and services	217,899	3,660	188	221,747
Postage and shipping	42,691	3,668	736	47,095
Dues and subscriptions	67,855	4,117	1,521	73,493
Insurance	21,639	3,993	2,662	28,294
Office	54,133	6,822	4,046	65,001
Training and recruiting	15,673	5,938	1,046	22,657
Public relations	8,164	840	420	9,424
Miscellaneous	-	333	350	683
Depreciation	6,409	1,282	855	8,546
Total other	<u>3,167,524</u>	<u>292,121</u>	<u>184,358</u>	<u>3,644,003</u>
Total expenses	<u>\$ 8,258,836</u>	<u>\$ 1,111,468</u>	<u>\$ 371,194</u>	<u>\$ 9,741,498</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

National Brain Tumor Society, Inc. (NBTS) (a Massachusetts corporation, not for profit) is fiercely committed to finding better treatments, and ultimately a cure, for people living with a brain tumor today and anyone who will be diagnosed tomorrow. This means effecting change in the system at all levels. NBTS advances its charitable mission through funding innovative medical research and patient care, and by informing patients and their care partners about state of the art treatment and health care. NBTS is headquartered in Newton, Massachusetts.

NBTS has subsidiary corporations in which it is the sole member:

Cure GBM, LLC (Cure GBM) is a Delaware limited liability company organized on October 3, 2012, for the purpose of operating the Defeat GBM Research Collaborative, a multi-year initiative leveraging team science among world-class research institutes and fostering collaboration in order to direct research and to accelerate drug discovery and development activities so as to advance efficacious therapies for Glioblastoma Multiforme to the clinic as quickly as possible.

Pediatric Cancer Cure, LLC (PCC) is a Delaware limited liability company organized on October 1, 2014, for the purpose of carrying out operating the Defeat Pediatric Brain Tumor Research Collaborative. It is a multi-year initiative leveraging team science among world-class research institutions and fostering collaboration in order to direct research related to pediatric brain tumors.

Accelerate Brain Cancer Innovation Fund, LLC (ABCIF) is a Delaware limited liability company organized on November 15, 2019, for the purpose of driving the development of new therapies through research grants. ABCIF received a cash contribution of approximately \$1,900,000 from a nonprofit organization during 2019.

NBTS Venture Fund, LLC (the Venture Fund) is a Delaware limited liability company organized on March 10, 2020, for the purpose of funding research for pharmaceutical companies. The Venture Fund received contributions totaling approximately \$600,000 in 2020. In 2020, these contributions were utilized to invest in various pharmaceutical companies in the form of convertible notes receivable (see Note 9).

The accompanying consolidated financial statements include activity of NBTS, Cure GBM, PCC, ABCIF, and the Venture Fund.

NBTS is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NBTS is also exempt from state income taxes. Donors may deduct contributions made to NBTS within the requirements of the IRC. Cure GBM, PCC, ABCIF, and the Venture Fund are disregarded for tax purposes and the activities of these entities are included in the informational returns of NBTS.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization (see page 8) prepares its consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of NBTS, Cure GBM, PCC, ABCIF, and the Venture Fund. NBTS is the sole member of Cure GBM, PCC, ABCIF, and the Venture Fund. Based on this relationship, NBTS, Cure GBM, PCC, ABCIF, and the Venture Fund issue consolidated financial statements. All material intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. NBTS, Cure GBM, PCC, ABCIF, and the Venture Fund are collectively referred to as the Organization in these consolidated financial statements.

Revenue Recognition

In accordance with Topic 958, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of the assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Revenue from unrestricted grants and contributions is recorded as without donor restrictions revenue and net assets when unconditionally pledged or received. Fundraising and special events revenue is recognized as revenue when the event occurs. Revenue from restricted grants is recorded as with donor restrictions revenue and net assets when unconditionally pledged or received. Transfers are made to without donor restrictions revenue and net assets as costs are incurred or time restrictions or program restrictions have lapsed.

The Organization is and may be named beneficiary of trusts and wills. The amounts to be received, if any, cannot be determined and are therefore not reflected in the accompanying consolidated financial statements until received. During 2020 and 2019, the Organization received bequests totaling \$665,657 and \$250,000, respectively, which are shown as bequests in the accompanying consolidated statements of activities and changes in net assets.

Refundable Advances

The Organization receives certain payments in advance of events. These advances have been classified as refundable advances in the accompanying 2020 consolidated statement of financial position. There were no refundable advances as of December 31, 2019.

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel, which are based on the basis of time and effort, and occupancy and depreciation, which are allocated on a square foot basis.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted), unspent appreciation on the endowment, and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent.

Net assets with donor restrictions are restricted as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Research initiatives	\$ 4,558,274	\$ 3,859,180
Unspent appreciation on endowment	<u>18,794</u>	<u>18,794</u>
	4,577,068	3,877,974
Subject to the Organization's endowment spending policy:		
Investment in perpetuity	<u>546,654</u>	<u>546,654</u>
	<u>\$ 5,123,722</u>	<u>\$ 4,424,628</u>

Changes in endowment net assets are as follows for the years ended December 31:

	<u>With Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 565,448	\$ 508,547
Contributions	<u>-</u>	<u>56,901</u>
Endowment net assets, end of year	<u>\$ 565,448</u>	<u>\$ 565,448</u>

The Organization manages the endowment, with a balance of \$546,654 at December 31, 2020 and 2019, under the prudent-management standards as outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization benchmarks the investment returns of the endowment investment portfolio using the ninety-day Treasury Bill index. The Organization targets a 100% fixed income allocation, with a duration less than or equal to three years.

Income earned on the original endowment of \$296,654 is restricted to support the costs of producing and distributing *The Essential Guide to Brain Tumors* and to fund research projects. Distributions are made annually as funds are available and costs are incurred relating to the restriction. The Organization has a second endowment of \$250,000 which is restricted to fund brain tumor research. Distributions are made annually as funds are available and costs are incurred relating to the restriction.

All earnings on the endowment funds were used for program services during 2020 and 2019.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents for consolidated statements of cash flows purposes consist of checking and money market accounts, excluding those held in the investment portfolio.

Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable consist of amounts committed by donors which have not been received by the end of the year.

These pledges are expected to be collected as follows at December 31:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 315,304	\$ 226,700
One to five years	-	100,000
	<u>315,304</u>	<u>326,700</u>
Less - allowance for doubtful accounts	<u>58,604</u>	<u>37,500</u>
Net pledges receivable	256,700	289,200
Less - current portion	<u>256,700</u>	<u>189,200</u>
Long-term pledges receivable, net	<u>\$ -</u>	<u>\$ 100,000</u>

An allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in pledges receivable. The allowance is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Convertible Notes and Interest Receivable

The Organization considers a convertible note receivable as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the convertible note receivable agreement. There were no loans that were deemed to be impaired as of December 31, 2020.

Property and Equipment and Depreciation

Property and equipment (see Note 3) are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Computers and computer software	3 - 5 years
Furniture and fixtures	7 years

Consolidated Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to brain tumor research are reported as operating revenue and operating expenses in the accompanying consolidated statements of activities and changes in net assets. Non-operating revenue includes investment and endowment activity.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research Grant Commitments

Research grants are recorded when awarded by the Organization and as the conditions of the grant are met by the grantee. Research grants expected to be paid during the subsequent fiscal year are shown as current liabilities in the accompanying consolidated statements of financial position.

Advertising Costs

The Organization expenses advertising costs as incurred. Total advertising costs for the years ended December 31, 2020 and 2019, were \$79,918 and \$143,473, respectively, which are reflected as advertising in the accompanying consolidated statements of functional expenses.

Donated Goods and Services

Volunteers and other organizations contribute goods and services to the Organization in support of various aspects of its programs. These goods and services are reflected in the accompanying consolidated financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management and consist of the donated multimedia and production for web segments and legal services. The value of these donated goods and services for the years ended December 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Donated services	\$ 21,746	\$ 105,724
Donated goods and other	<u>18,743</u>	<u>116,023</u>
	<u>\$ 40,489</u>	<u>\$ 221,747</u>

The Organization also receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying consolidated financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the standards for ASC Topic, *Accounting for Contributions Received and Contributions Made*.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2020 and 2019. The Organization's information returns are subject to examination by Federal and state jurisdictions.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash Equivalents

Cash equivalents consist of money market accounts. Cash equivalents are considered Level 1 in the fair value hierarchy.

Investments

The Organization records investments at fair value. Investment gains and losses are reflected in the accompanying consolidated statements of activities and changes in net assets as realized upon sale or as unrealized based on changes in fair value of securities held. Interest and dividends are recorded when earned.

If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Organization records its bond investments using quoted prices for identical or similar assets in non-active markets (Level 2 inputs).

Subsequent Events

Subsequent events have been evaluated through April 22, 2021, which is the date the consolidated financial statements were available to be issued. See Note 8 for an event that met criteria for disclosure in the consolidated financial statements.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computers and computer software	\$ 29,224	\$ 29,224
Furniture and fixtures	<u>9,602</u>	<u>9,602</u>
	38,826	38,826
Less - accumulated depreciation	<u>29,467</u>	<u>24,680</u>
Net property and equipment	<u>\$ 9,359</u>	<u>\$ 14,146</u>

4. INVESTMENTS

The primary investment objective is to balance the protection of asset values while earning a return. Investment allocations are periodically reviewed by the Finance Committee and adjustments are made. The Board of Directors will review and make changes as necessary on an annual basis.

Investments are presented in the accompanying consolidated financial statements at fair value using Level 1 and Level 2 inputs (see Note 2) and are comprised of the following as of December 31:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 345,750	\$ -	\$ -	\$ 345,750
Corporate bonds	-	274,638	-	274,638
Equity funds	<u>248,960</u>	-	-	<u>248,960</u>
Total	<u>\$ 594,710</u>	<u>\$ 274,638</u>	<u>\$ -</u>	<u>\$ 869,348</u>
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 239,900	\$ -	\$ -	\$ 239,900
Corporate bonds	-	248,639	-	248,639
Equity funds	251,234	-	-	251,234
U.S. Treasuries	-	<u>109,805</u>	-	<u>109,805</u>
Total	<u>\$ 491,134</u>	<u>\$ 358,444</u>	<u>\$ -</u>	<u>\$ 849,578</u>

Investments are not insured and are subject to ongoing market fluctuations.

Investments are classified as long-term in the accompanying consolidated statements of financial position as of December 31, 2020 and 2019, as management intends to hold these investments for long-term purposes.

5. OPERATING LEASES

The Organization leases office space under an operating lease in Massachusetts which expires in February 2023. This lease required monthly payments ranging from \$18,581 to \$19,150 for the years ended December 31, 2020 and 2019. Under the agreement, the Organization has an option to extend the lease for one additional five-year term.

As part of the lease agreement, the Organization received six months of free rent. The Organization is recognizing rent expense on a straight-line basis over the term of the lease in accordance with guidance for ASC Topic, *Leases*.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

5. OPERATING LEASES (Continued)

The accrued rent liability at December 31, 2020 and 2019, is reflected as accrued rent in the accompanying consolidated statements of financial position as a result of rent being recognized on the straight-line method.

Total rent expense incurred for the years ended December 31, 2020 and 2019, was \$234,920 and \$252,212, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses.

Future minimum lease payments over the remaining term of the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 241,673
2022	247,955
2023	<u>41,500</u>
	<u>\$ 531,128</u>

The Organization had a sublease agreement with a third party to rent space through April 2020. Upon expiration, the space is being leased on a month-to-month basis. Monthly payments were approximately \$1,900 for the years ended December 31, 2020 and 2019. Income from this agreement totaled approximately \$23,000 for the years ended December 31, 2020 and 2019, and is included in interest, dividends and other in the accompanying consolidated statements of activities and changes in net assets.

6. CONCENTRATIONS

The Organization maintains its operating cash and money market balances in various banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the years ended December 31, 2020 and 2019, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its operating cash balance.

7. EMPLOYMENT BENEFIT PLANS

The Organization has a tax deferred pension plan under Section 401(k) of the Internal Revenue Service (IRS) (the 401(k) Plan) for all employees. The Organization can elect to make a discretionary matching contribution to the 401(k) plan. The Organization's contributions for the years ended December 31, 2020 and 2019, totaled \$44,566 and \$80,911, respectively, which are included in payroll taxes and fringe benefits in the accompanying consolidated statements of functional expenses.

8. NOTES PAYABLE

The Organization applied for and was awarded a forgivable loan of \$685,300 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were to be used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration (SBA) notifies the bank of the amount of the loan that will be forgiven. The balance of the note, which is not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply, and the note is unsecured as of December 31, 2020.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

8. NOTES PAYABLE (Continued)

Accrued interest on the PPP loan was \$4,582 as of December 31, 2020, and is included in notes payable and accrued interest in the accompanying 2020 consolidated statement of financial position.

In February 2021, the Organization's PPP loan plus interest were forgiven.

During 2020, the Organization received a forgivable \$10,000 Economic Injury Disaster Loan (EIDL) through the SBA. The loan bears interest at 2.75% and requires equal payments of principal and interest through April 2050 (maturity). As of April 22, 2021, forgiveness was not yet received for the EIDL loan.

In February 2021, the Organization applied for and received a second draw of the PPP loan totaling \$685,319. The second draw PPP loan has the same general loan terms as the first draw PPP loan. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest accruing at 1%.

9. CONVERTIBLE NOTES AND INTEREST RECEIVABLE

During 2020, the Organization entered into unsecured note agreements with two pharmaceutical companies to invest in research. Notes and interest receivable consist of the following at December 31, 2020:

	<u>Notes Receivable</u>	<u>Interest Receivable</u>	<u>Interest Rate</u>	<u>Maturity</u>
Note A	\$ 500,000	\$ 16,071	6%	June 19, 2021
Note B	<u>100,000</u>	<u>2,176</u>	8%	March 23, 2022
	600,000	18,247		
Less - current portion	<u>500,000</u>	<u>16,071</u>		
	<u>\$ 100,000</u>	<u>\$ 2,176</u>		

As part of the Note A agreement, there are embedded warrant options to purchase 125,000 of the pharmaceutical company's common stock at an exercise price of \$1.09 from June 19, 2020 through June 19, 2025. The option-based warrants will be valued based on the fair market of the underlying shares when/if the option is exercised. As of April 22, 2021, the Organization has not exercised the warrant options.

The Note B agreement has an automatic conversion to shares of the pharmaceutical company's (Company B) preferred stock upon Company B achieving a qualified financing of \$2,000,000. The mechanics of conversion are dependent upon the facts and circumstances of the financing as defined in the convertible note agreement.

In the event an automatic conversion does not occur, the Organization has the option to convert the note into shares of Company B's stock, as defined in the convertible note agreement. As of April 22, 2021, Note B is expected to be repaid in full at maturity and has not been converted to equity.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

10. CONTINGENCY

The COVID-19 outbreak in the United States is unprecedented. It has had a significant impact on our economy and businesses and the future impact continues to be unknown. Our management team continues to model financial contingency plans. Administrative and fundraising activities have been safely transitioned to a cyber environment. While this disruption is expected to be temporary, there continues to be considerable uncertainty around its duration. The impact on the Organization's financial position and operating results cannot be reasonably estimated at this time.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the consolidated statements of financial position date for general operating purposes are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 8,059,747	\$ 6,422,000
Pledges receivable	<u>256,700</u>	<u>189,200</u>
	<u>8,316,447</u>	<u>6,611,200</u>
Contractual or donor-imposed restrictions:		
Cash	(4,301,574)	(3,569,980)
Pledges receivable	<u>(256,700)</u>	<u>(189,200)</u>
	<u>(4,558,274)</u>	<u>(3,759,180)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,758,173</u>	<u>\$ 2,852,020</u>

The Organization is substantially supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due. In addition, the Organization has approximately \$304,000 of investments without donor restrictions as of December 31, 2020 and 2019, that are held for long-term growth and sustainability (see Note 4). At any given time, in the event of an unforeseen liquidity need, the investments could be liquidated to meet ongoing obligations.

12. RECLASSIFICATION

Certain amounts in the 2019 consolidated financial statements were reclassified to conform with the 2020 presentation.