



National Brain Tumor Society

AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Contents
December 31, 2018 and 2017

| | <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 - 15 |



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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, 2018 and 2017, 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, 2018 and 2017, 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.

Alexander, Brown, Fenning & Co., P.C.
Westborough, Massachusetts
May 3, 2019

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2018 and 2017

| Assets | 2018 | 2017 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 3,088,930 | \$ 2,407,896 |
| Current portion of pledges receivable | 83,000 | 150,374 |
| Short-term investments | 92,101 | 105,059 |
| Prepaid expenses and other assets | 161,621 | 203,481 |
| Total current assets | 3,425,652 | 2,866,810 |
| Pledges Receivable, net of current portion, discount and allowance for doubtful accounts | - | 23,003 |
| Security Deposits | 43,210 | 35,210 |
| Investments | 489,753 | 296,654 |
| Property, Plant and Equipment, net | 10,328 | 21,401 |
| Total assets | <u>\$ 3,968,943</u> | <u>\$ 3,243,078</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable | \$ 192,507 | \$ 135,671 |
| Accrued expenses | 162,278 | 146,966 |
| Research grants payable | 1,250,000 | 1,640,000 |
| Deferred revenue | 29,621 | 9,598 |
| Total current liabilities | 1,634,406 | 1,932,235 |
| Deferred Rent | 99,601 | 108,382 |
| Total liabilities | <u>1,734,007</u> | <u>2,040,617</u> |
| Net Assets: | | |
| Without donor restrictions | 980,981 | 597,136 |
| With donor restrictions | 1,253,955 | 605,325 |
| Total net assets | <u>2,234,936</u> | <u>1,202,461</u> |
| Total liabilities and net assets | <u>\$ 3,968,943</u> | <u>\$ 3,243,078</u> |

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

 Consolidated Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2018 and 2017

| | 2018 | | | 2017 | | |
|---|----------------------------|-------------------------|--------------|----------------------------|-------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue: | | | | | | |
| Fundraising and special events | \$ 7,184,953 | \$ 573,727 | \$ 7,758,680 | \$ 6,294,970 | \$ 249,356 | \$ 6,544,326 |
| Grants and contributions | 2,180,921 | 934,459 | 3,115,380 | 1,713,260 | 1,004,184 | 2,717,444 |
| Bequests | 137,159 | - | 137,159 | 967,922 | - | 967,922 |
| Donated goods and services | 90,783 | - | 90,783 | 158,990 | - | 158,990 |
| Interest, dividends and other | 28,476 | - | 28,476 | 34,681 | 3,344 | 38,025 |
| Net assets released from purpose restrictions | 1,052,655 | (1,052,655) | - | 1,353,203 | (1,353,203) | - |
| Total operating revenue | 10,674,947 | 455,531 | 11,130,478 | 10,523,026 | (96,319) | 10,426,707 |
| Operating Expenses: | | | | | | |
| Program | 8,706,620 | - | 8,706,620 | 7,586,228 | - | 7,586,228 |
| Fundraising | 1,037,124 | - | 1,037,124 | 1,355,868 | - | 1,355,868 |
| General and administrative | 546,385 | - | 546,385 | 452,798 | - | 452,798 |
| Total operating expenses | 10,290,129 | - | 10,290,129 | 9,394,894 | - | 9,394,894 |
| Changes in net assets from operations | 384,818 | 455,531 | 840,349 | 1,128,132 | (96,319) | 1,031,813 |
| Non-Operating Revenue: | | | | | | |
| Endowment contributions | - | 193,099 | 193,099 | - | - | - |
| Net gain (loss) on investments | (973) | - | (973) | 3,384 | - | 3,384 |
| Total non-operating revenue | (973) | 193,099 | 192,126 | 3,384 | - | 3,384 |
| Changes in net assets | 383,845 | 648,630 | 1,032,475 | 1,131,516 | (96,319) | 1,035,197 |
| Net Assets: | | | | | | |
| Beginning of year | 597,136 | 605,325 | 1,202,461 | (534,380) | 701,644 | 167,264 |
| End of year | \$ 980,981 | \$ 1,253,955 | \$ 2,234,936 | \$ 597,136 | \$ 605,325 | \$ 1,202,461 |

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, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 1,032,475 | \$ 1,035,197 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 11,073 | 13,439 |
| Bad debt | - | 65,125 |
| Net realized and unrealized gain on investments | (1,027) | (5,384) |
| Endowment contribution | (193,099) | - |
| Change in discount on pledge receivables | (330) | (13,170) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 90,707 | 153,096 |
| Prepaid expenses and other assets | 41,860 | (119,175) |
| Security deposits | (8,000) | 9,291 |
| Accounts payable | 56,836 | (87,330) |
| Accrued expenses | 15,312 | (4,005) |
| Research grants payable | (390,000) | 40,626 |
| Deferred revenue | 20,023 | (75,850) |
| Deferred rent | (8,781) | (1,505) |
| | <u>667,049</u> | <u>1,010,355</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from sales of investments | 20,041 | 7,000 |
| Purchases of investments and dividends reinvested | (199,155) | (4,528) |
| Acquisition of property, plant and equipment | - | (10,406) |
| | <u>(179,114)</u> | <u>(7,934)</u> |
| Cash Flows from Financing Activities: | | |
| Endowment contributions | 193,099 | - |
| Net Change in Cash and Cash Equivalents | 681,034 | 1,002,421 |
| Cash and Cash Equivalents: | | |
| Beginning of year | <u>2,407,896</u> | <u>1,405,475</u> |
| End of year | <u>\$ 3,088,930</u> | <u>\$ 2,407,896</u> |

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2018

(With Summarized Comparative Totals for the Year Ended December 31, 2017)

| | 2018 | | | 2017 | |
|-----------------------------------|--------------|--------------|----------------------------|---------------|--------------|
| | Program | Fundraising | General and Administrative | Total | Total |
| Expenses: | | | | | |
| Personnel: | | | | | |
| Salaries | \$ 2,306,031 | \$ 627,906 | \$ 68,032 | \$ 3,001,969 | \$ 2,524,382 |
| Payroll taxes and fringe benefits | 500,820 | 122,450 | 14,036 | 637,306 | 524,582 |
| Total personnel | 2,806,851 | 750,356 | 82,068 | 3,639,275 | 3,048,964 |
| Grants: | | | | | |
| Research grants | 2,922,375 | - | - | 2,922,375 | 2,626,368 |
| Financial assistance | - | - | - | - | 47,037 |
| Total grants | 2,922,375 | - | - | 2,922,375 | 2,673,405 |
| Other: | | | | | |
| Special events | 823,726 | 48,127 | 25,800 | 897,653 | 917,079 |
| Professional services | 496,350 | 33,448 | 128,249 | 658,047 | 665,024 |
| Bank fees | 432,435 | 4,167 | 2,539 | 439,141 | 373,740 |
| Travel | 196,901 | 42,255 | 39,202 | 278,358 | 291,369 |
| Systems and technology | 244,682 | 28,839 | 1,924 | 275,445 | 284,464 |
| Occupancy | 23,372 | 23,371 | 186,971 | 233,714 | 245,998 |
| Merchandise | 227,230 | 341 | 227 | 227,798 | 211,165 |
| Advertising | 201,871 | 16,484 | 5,844 | 224,199 | 137,475 |
| Office | 70,667 | 18,555 | 7,305 | 96,527 | 43,900 |
| Donated goods and services | 74,437 | 16,346 | - | 90,783 | 158,990 |
| Public relations | 47,012 | 18,577 | 9,452 | 75,041 | 49,176 |
| Training and recruiting | 42,350 | 8,675 | 334 | 51,359 | 101,079 |
| Postage and shipping | 17,974 | 11,626 | 16,092 | 45,692 | 35,463 |
| Dues and subscriptions | 38,712 | 6,335 | 204 | 45,251 | 42,060 |
| Miscellaneous | 164 | 31 | 31,478 | 31,673 | 1,317 |
| Insurance | 14,650 | 6,027 | 7,398 | 28,075 | 21,249 |
| Website | 15,449 | 2,457 | 744 | 18,650 | 14,413 |
| Depreciation | 9,412 | 1,107 | 554 | 11,073 | 13,439 |
| Bad debt | - | - | - | - | 65,125 |
| Total other | 2,977,394 | 286,768 | 464,317 | 3,728,479 | 3,672,525 |
| Total expenses | \$ 8,706,620 | \$ 1,037,124 | \$ 546,385 | \$ 10,290,129 | \$ 9,394,894 |

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

| | <u>Program</u> | <u>Fundraising</u> | <u>General and Adminis- trative</u> | <u>Total</u> |
|-----------------------------------|---------------------|---------------------|---|---------------------|
| Expenses: | | | | |
| Personnel: | | | | |
| Salaries | \$ 1,639,974 | \$ 759,532 | \$ 124,876 | \$ 2,524,382 |
| Payroll taxes and fringe benefits | 337,900 | 163,224 | 23,458 | 524,582 |
| Total personnel | <u>1,977,874</u> | <u>922,756</u> | <u>148,334</u> | <u>3,048,964</u> |
| Grants: | | | | |
| Research grants | 2,626,368 | - | - | 2,626,368 |
| Financial assistance | 47,037 | - | - | 47,037 |
| Total grants | <u>2,673,405</u> | <u>-</u> | <u>-</u> | <u>2,673,405</u> |
| Other: | | | | |
| Special events | 814,017 | 90,709 | 12,353 | 917,079 |
| Professional services | 461,530 | 89,389 | 114,105 | 665,024 |
| Bank fees | 302,384 | 71,356 | - | 373,740 |
| Travel | 198,197 | 51,175 | 41,997 | 291,369 |
| Systems and technology | 265,856 | 16,530 | 2,078 | 284,464 |
| Occupancy | 172,283 | 45,109 | 28,606 | 245,998 |
| Merchandise | 204,853 | 6,312 | - | 211,165 |
| Advertising | 129,175 | 5,100 | 3,200 | 137,475 |
| Office | 22,531 | 11,123 | 10,246 | 43,900 |
| Donated goods and services | 155,485 | 3,505 | - | 158,990 |
| Public relations | 38,138 | 6,623 | 4,415 | 49,176 |
| Training and recruiting | 82,212 | 16,774 | 2,093 | 101,079 |
| Postage and shipping | 24,759 | 10,198 | 506 | 35,463 |
| Dues and subscriptions | 38,039 | 3,850 | 171 | 42,060 |
| Miscellaneous | 600 | - | 717 | 1,317 |
| Insurance | 8,923 | 711 | 11,615 | 21,249 |
| Website | 9,247 | 4,648 | 518 | 14,413 |
| Depreciation | 6,720 | - | 6,719 | 13,439 |
| Bad debt | - | - | 65,125 | 65,125 |
| Total other | <u>2,934,949</u> | <u>433,112</u> | <u>304,464</u> | <u>3,672,525</u> |
| Total expenses | <u>\$ 7,586,228</u> | <u>\$ 1,355,868</u> | <u>\$ 452,798</u> | <u>\$ 9,394,894</u> |

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 two subsidiary corporations that it is the sole member of:

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 also 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.

The accompanying consolidated financial statements include activity of Cure GBM and PCC for the years ended December 31, 2018 and 2017.

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 and PCC are disregarded for tax purposes and the activities of both are included in the informational returns of NBTS.

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standard

During 2018, NBTS adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected NBTS's consolidated financial statements:

- Net assets are to be segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see pages 8 and 9).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date (see Note 10).
- An explanation of the methods used to allocate costs among program and supporting (institutional support and development) functions (see page 8).

The adoption of this ASU did not impact NBTS's net asset balance, change in net assets, or cash flows for the year ended December 31, 2017. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the 2017 consolidated financial statements.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation

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

Revenue Recognition

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 2018 and 2017, the Organization received bequests totaling approximately \$137,000 and \$968,000, respectively, which are shown as bequests in the accompanying consolidated statements of activities and changes in net assets.

All other revenue is recorded when earned.

Deferred Revenue

Deferred revenue consists of event revenue received in advance of the events.

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 and related costs, which are based on the basis of time and effort, occupancy and depreciation which are allocated on a square foot basis.

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 can be spent.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

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

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------------|
| Subject to expenditure for specific purposes: | | |
| Research initiatives | \$ 745,408 | \$ 289,877 |
| Unspent appreciation on endowment | <u>18,794</u> | <u>18,794</u> |
| | 764,202 | 308,671 |
| Subject to the Organization's endowment spending policy: | | |
| Investment in perpetuity | <u>489,753</u> | <u>296,654</u> |
| | <u>\$ 1,253,955</u> | <u>\$ 605,325</u> |

Changes in endowment net assets are as follows for the years ended December 31, 2018 and 2017:

| | <u>With Donor Restrictions</u> |
|---|------------------------------------|
| Endowment net assets, December 31, 2016 | \$ 312,104 |
| Interest and dividends | <u>3,344</u> |
| Endowment net assets, December 31, 2017 | 315,448 |
| Contributions | <u>193,099</u> |
| Endowment net assets, December 31, 2018 | <u>\$ 508,547</u> |

The Organization manages the endowment, with a balance of \$489,753 and \$296,654 at December 31, 2018 and 2017, respectively, 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. There were no releases in 2018 or 2017.

Cash and Cash Equivalents

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

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

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>2018</u> | <u>2017</u> |
|--|---------------|------------------|
| Less than one year | \$ 83,000 | \$ 150,374 |
| One to five years | - | <u>33,333</u> |
| | <u>83,000</u> | <u>183,707</u> |
| Less - discount | - | 330 |
| Less - allowance for doubtful accounts | <u>-</u> | <u>10,000</u> |
| Net present value | 83,000 | 173,377 |
| Less - current portion | <u>83,000</u> | <u>150,374</u> |
| Long-term pledges receivable, net | <u>\$ -</u> | <u>\$ 23,003</u> |

Pledges receivable at December 31, 2017, are recorded at their net present value using a 3% discount rate.

Allowance for Doubtful Accounts

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.

Property, Plant and Equipment and Depreciation

Property, plant 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 |
| Leasehold improvements | Term of lease |

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, 2018 and 2017

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, 2018 and 2017, were \$224,199 and \$137,475, 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, 2018 and 2017, is as follows:

| | <u>2018</u> | <u>2017</u> |
|-----------------------|------------------|-------------------|
| Donated raffle prizes | \$ 65,251 | \$ 3,303 |
| Donated services | 25,532 | 153,935 |
| Donated food | <u>-</u> | <u>1,752</u> |
| | <u>\$ 90,783</u> | <u>\$ 158,990</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, 2018 and 2017. 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, 2018 and 2017

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.

Subsequent Events

Subsequent events have been evaluated through May 3, 2019, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidated financial statements.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIESNotes to Consolidated Financial Statements
December 31, 2018 and 2017**3. PROPERTY, PLANT AND EQUIPMENT**

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

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|------------------|------------------|
| Computers and computer software | \$ 629,550 | \$ 629,550 |
| Furniture and fixtures | 198,505 | 198,505 |
| Leasehold improvements | <u>136,109</u> | <u>136,109</u> |
| | 964,164 | 964,164 |
| Less - accumulated depreciation | <u>953,836</u> | <u>942,763</u> |
| Net property, plant and equipment | <u>\$ 10,328</u> | <u>\$ 21,401</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>2018</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------|-------------------|-------------------|----------------|-------------------|
| U.S. Treasuries | \$ - | \$ 208,031 | \$ - | \$ 208,031 |
| Cash and money markets | 198,530 | - | - | 198,530 |
| Equities | 150,415 | - | - | 150,415 |
| Corporate bonds | - | <u>24,878</u> | - | <u>24,878</u> |
| Total | <u>\$ 348,945</u> | <u>\$ 232,909</u> | <u>\$ -</u> | <u>\$ 581,854</u> |
| <u>2017</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| U.S. Treasuries | \$ - | \$ 179,857 | \$ - | \$ 179,857 |
| Cash and money markets | 3,347 | - | - | 3,347 |
| Equities | 169,174 | - | - | 169,174 |
| Corporate bonds | - | <u>49,335</u> | - | <u>49,335</u> |
| Total | <u>\$ 172,521</u> | <u>\$ 229,192</u> | <u>\$ -</u> | <u>\$ 401,713</u> |

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

Net gain (loss) on investments consists of the following for the years ended December 31:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-----------------|-----------------|
| Realized gain on investments | \$ 767 | \$ 1,764 |
| Unrealized gain on investments | 260 | 3,620 |
| Investment fees | <u>(2,000)</u> | <u>(2,000)</u> |
| Net gain (loss) on investments | <u>\$ (973)</u> | <u>\$ 3,384</u> |

Investments, other than a portion of the endowment, have been classified as current in the accompanying consolidated statements of financial position as of December 31, 2018 and 2017, as management intends to utilize investment returns and balances to fulfill grants payable obligations.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

5. OPERATING LEASES

The Organization leases office space under an operating lease in Massachusetts which expires on December 31, 2023. This lease required monthly payments ranging from \$17,609 to \$18,656 for the years ended December 31, 2018 and 2017. 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, *Accounting for Leases*.

The deferred rent liability at December 31, 2018 and 2017, is reflected as deferred rent as a result of rent being recognized on the straight-line method.

Total rent expense incurred for the years ended December 31, 2018 and 2017, was \$233,714 and \$245,998, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses.

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

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2019 | \$ 229,110 |
| 2020 | \$ 235,392 |
| 2021 | \$ 241,673 |
| 2022 | \$ 247,955 |
| 2023 | \$ 41,500 |

The Organization has a sublease agreement with a third party to rent space through April 30, 2019. Monthly payments range from approximately \$1,800 to \$1,900 for the years ended December 31, 2018 and 2017. Income from this agreement totaled approximately \$22,000 and \$20,000 for the years ended December 31, 2018 and 2017, respectively, and is included in interest, dividends and other in the accompanying consolidated statements of activities and changes in net assets.

Future minimum cash payments over the remaining term of the sublease are \$7,552 in 2019.

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, 2018 and 2017, 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, 2018 and 2017, totaled \$62,618 and \$71,375, respectively, which are included in payroll taxes and fringe benefits in the accompanying consolidated statements of functional expenses.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

8. COMMITMENTS

The Organization has made additional funding commitments as of December 31, 2018, to brain tumor research centers in the United States and Canada that are not reflected as payables in the accompanying consolidated statements of financial position, but represent future planned distributions of research grants that are contingent on performance under the provisions of the grants and other funding considerations. As of December 31, 2018 and 2017, the total balance of these planned grants was approximately \$250,000 and \$2,250,000, respectively.

9. RELATED PARTY TRANSACTIONS

The Organization's consolidated financial statements include the following entities:

Cure GBM, LLC (Cure GBM), NBTS paid \$2,004,025 and \$2,031,292 in grant and legal expenses on behalf of Cure GBM for the years ended December 31, 2018 and 2017, respectively.

Pediatric Cancer Cure, LLC (PCC), NBTS did not pay any expenses on behalf of PCC during 2018. The Organization paid \$239,689 in grant and legal expenses on behalf of PCC for the year ended December 31, 2017.

In 2018, two of the Organization's Board members initiated a campaign to raise funds to fund an endowment for brain tumor research. As of December 31, 2018, the campaign has raised \$193,099 to fund the endowment (see page 9).

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the consolidated statement of financial position date for general operating purposes are as follows as of December 31, 2018:

| | |
|---|---------------------|
| Cash | \$ 3,088,930 |
| Pledges receivable | 83,000 |
| Short-term investments | <u>92,101</u> |
| | <u>3,264,031</u> |
| Contractual or donor-imposed restrictions: | |
| Cash | (681,202) |
| Pledges receivable | <u>(83,000)</u> |
| | <u>(764,202)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,499,829</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, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due.

11. RECLASSIFICATIONS

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform with the 2018 presentation.