



National Brain Tumor Society

AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 15, 2020

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 6,422,000	\$ 3,088,930
Current portion of pledges receivable, net of allowance for doubtful accounts	189,200	83,000
Prepaid expenses and other assets	176,834	161,621
Total current assets	6,788,034	3,333,551
Pledges Receivable, net of current portion	100,000	-
Security Deposits	36,210	43,210
Investments	849,578	581,854
Property, Plant and Equipment, net	14,146	10,328
Total assets	\$ 7,787,968	\$ 3,968,943
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 178,263	\$ 192,507
Accrued expenses	260,866	191,899
Research grants payable	500,000	1,250,000
Total current liabilities	939,129	1,634,406
Deferred Rent	84,539	99,601
Total liabilities	1,023,668	1,734,007
Net Assets:		
Without donor restrictions	2,339,672	980,981
With donor restrictions	4,424,628	1,253,955
Total net assets	6,764,300	2,234,936
Total liabilities and net assets	\$ 7,787,968	\$ 3,968,943

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Fundraising and special events	\$ 7,599,319	\$ 839,005	\$ 8,438,324	\$ 7,184,953	\$ 573,727	\$ 7,758,680
Grants and contributions	1,503,201	3,763,696	5,266,897	2,180,921	934,459	3,115,380
Bequests	250,000	-	250,000	137,159	-	137,159
Donated goods and services	221,747	-	221,747	90,783	-	90,783
Interest, dividends and other	33,770	-	33,770	28,476	-	28,476
Net assets released from purpose restrictions	1,488,929	(1,488,929)	-	1,052,655	(1,052,655)	-
Total operating revenue	11,096,966	3,113,772	14,210,738	10,674,947	455,531	11,130,478
Operating Expenses:						
Program	8,258,836	-	8,258,836	8,706,620	-	8,706,620
Fundraising	1,111,468	-	1,111,468	1,037,124	-	1,037,124
General and administrative	371,194	-	371,194	546,385	-	546,385
Total operating expenses	9,741,498	-	9,741,498	10,290,129	-	10,290,129
Changes in net assets from operations	1,355,468	3,113,772	4,469,240	384,818	455,531	840,349
Non-Operating Revenue:						
Endowment contributions	-	56,901	56,901	-	193,099	193,099
Net gain (loss) on investments	3,223	-	3,223	(973)	-	(973)
Total non-operating revenue	3,223	56,901	60,124	(973)	193,099	192,126
Changes in net assets	1,358,691	3,170,673	4,529,364	383,845	648,630	1,032,475
Net Assets:						
Beginning of year	980,981	1,253,955	2,234,936	597,136	605,325	1,202,461
End of year	\$ 2,339,672	\$ 4,424,628	\$ 6,764,300	\$ 980,981	\$ 1,253,955	\$ 2,234,936

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 4,529,364	\$ 1,032,475
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	8,546	11,073
Bad debt	27,500	-
Net realized and unrealized gain on investments	(5,294)	(1,027)
Endowment contribution	(56,901)	(193,099)
Change in discount on pledges receivable	-	(330)
Changes in operating assets and liabilities:		
Pledges receivable	(233,700)	90,707
Prepaid expenses and other assets	(15,213)	41,860
Security deposits	7,000	(8,000)
Accounts payable	(14,244)	56,836
Accrued expenses	68,967	35,335
Research grants payable	(750,000)	(390,000)
Deferred rent	(15,062)	(8,781)
	<u>3,550,963</u>	<u>667,049</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	50,000	20,041
Purchases of investments and dividends reinvested	(312,430)	(199,155)
Acquisition of property, plant and equipment	(12,364)	-
	<u>(274,794)</u>	<u>(179,114)</u>
Cash Flows from Financing Activities:		
Endowment contributions	56,901	193,099
Net Change in Cash and Cash Equivalents	<u>3,333,070</u>	<u>681,034</u>
Cash and Cash Equivalents:		
Beginning of year	<u>3,088,930</u>	<u>2,407,896</u>
End of year	<u>\$ 6,422,000</u>	<u>\$ 3,088,930</u>
Supplemental Disclosure of Non-cash Transactions:		
Unrealized gain on investments	<u>\$ 2,499</u>	<u>\$ 260</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2019

(With Summarized Comparative Totals for the Year Ended December 31, 2018)

	2019			2018	
	Program	Fundraising	General and Administrative	Total	Total
Expenses:					
Personnel:					
Salaries	\$ 2,931,315	\$ 701,236	\$ 156,636	\$ 3,789,187	\$ 3,001,969
Payroll taxes and fringe benefits	567,463	118,111	30,200	715,774	637,306
Total personnel	3,498,778	819,347	186,836	4,504,961	3,639,275
Research grants	1,592,534	-	-	1,592,534	2,922,375
Other:					
Special events	823,764	49,600	12,519	885,883	897,653
Professional services	590,278	52,471	42,417	685,166	658,047
Bank fees	281,423	33,691	17,678	332,792	439,141
Merchandise	270,617	4,776	939	276,332	227,798
Systems and technology	227,123	30,685	15,199	273,007	275,445
Travel	230,222	21,673	3,081	254,976	278,358
Occupancy	138,717	63,053	50,442	252,212	233,714
Donated goods and services	217,899	3,660	188	221,747	90,783
Advertising	140,550	1,949	974	143,473	224,199
Dues and subscriptions	67,855	4,117	1,521	73,493	45,251
Office	54,133	6,822	4,046	65,001	96,527
Postage and shipping	42,691	3,668	736	47,095	45,692
Website	30,367	3,570	1,785	35,722	18,650
Insurance	21,639	3,993	2,662	28,294	28,075
Bad debt	-	-	27,500	27,500	-
Training and recruiting	15,673	5,938	1,046	22,657	51,359
Public relations	8,164	840	420	9,424	75,041
Depreciation	6,409	1,282	855	8,546	11,073
Miscellaneous	-	333	350	683	31,673
Total other	3,167,524	292,121	184,358	3,644,003	3,728,479
Total expenses	\$ 8,258,836	\$ 1,111,468	\$ 371,194	\$ 9,741,498	\$ 10,290,129

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total</u>
Expenses:				
Personnel:				
Salaries	\$ 2,306,031	\$ 627,906	\$ 68,032	\$ 3,001,969
Payroll taxes and fringe benefits	500,820	122,450	14,036	637,306
Total personnel	<u>2,806,851</u>	<u>750,356</u>	<u>82,068</u>	<u>3,639,275</u>
Research grants	<u>2,922,375</u>	-	-	<u>2,922,375</u>
Other:				
Special events	823,726	48,127	25,800	897,653
Professional services	496,350	33,448	128,249	658,047
Bank fees	432,435	4,167	2,539	439,141
Merchandise	227,230	341	227	227,798
Systems and technology	244,682	28,839	1,924	275,445
Travel	196,901	42,255	39,202	278,358
Occupancy	23,372	23,371	186,971	233,714
Donated goods and services	74,437	16,346	-	90,783
Advertising	201,871	16,484	5,844	224,199
Dues and subscriptions	38,712	6,335	204	45,251
Office	70,667	18,555	7,305	96,527
Postage and shipping	17,974	11,626	16,092	45,692
Website	15,449	2,457	744	18,650
Insurance	14,650	6,027	7,398	28,075
Training and recruiting	42,350	8,675	334	51,359
Public relations	47,012	18,577	9,452	75,041
Depreciation	9,412	1,107	554	11,073
Miscellaneous	164	31	31,478	31,673
Total other	<u>2,977,394</u>	<u>286,768</u>	<u>464,317</u>	<u>3,728,479</u>
Total expenses	<u><u>\$ 8,706,620</u></u>	<u><u>\$ 1,037,124</u></u>	<u><u>\$ 546,385</u></u>	<u><u>\$ 10,290,129</u></u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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 three 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.

Accelerate Brain Cancer Innovation Fund, LLC (ABCIF) is also 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.

The accompanying consolidated financial statements include activity of Cure GBM, PCC and ABCIF.

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 and ABCIF are disregarded for tax purposes and their activities are included in the informational returns of NBTS.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Adoption of New Accounting Standards

On January 1, 2019, the Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606). The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

The adoption of this standard did not impact the Organization's consolidated financial statements as the Organization's primary source of revenue is grants and contributions, which is scoped out of this standard with ASU 2018-08 (see below). The Organization has adjusted the presentation of these consolidated financial statements accordingly. This ASU has been applied retrospectively to all periods presented. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended December 31, 2018.

In addition, during 2019, the Organization adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain non-exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. This ASU has been applied retrospectively to all periods presented. The Organization has adjusted the presentation of these consolidated financial statements accordingly. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended December 31, 2018.

Revenue Recognition

In accordance with Topic 958, 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 other 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 grants and contributions without donor restrictions is recorded as revenue and net assets without donor restrictions 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 revenue and net assets with donor restrictions when unconditionally pledged or received. Transfers are made to revenue and net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. All other revenue is recorded when earned.

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 2019 and 2018, the Organization received bequests totaling \$250,000 and \$137,159, respectively, which are shown as bequests in the accompanying consolidated statements of activities and changes in net assets.

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, 2019 and 2018

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 earnings can be spent.

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purposes:		
Research initiatives	\$ 3,859,180	\$ 745,408
Unspent appreciation on endowment	<u>18,794</u>	<u>18,794</u>
	<u>3,877,974</u>	<u>764,202</u>
Subject to the Organization's endowment spending policy:		
Investment in perpetuity	<u>546,654</u>	<u>489,753</u>
	<u>\$ 4,424,628</u>	<u>\$ 1,253,955</u>

Changes in endowment net assets are as follows for the years ended December 31, 2019 and 2018:

Endowment net assets, December 31, 2017	\$ 315,448
Contributions	<u>193,099</u>
Endowment net assets, December 31, 2018	508,547
Contributions	<u>56,901</u>
Endowment net assets, December 31, 2019	<u>\$ 565,448</u>

The Organization manages the endowment, with a balance of \$546,654 and \$489,753 at December 31, 2019 and 2018, 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 2019 or 2018.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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>2019</u>	<u>2018</u>
Less than one year	\$ 226,700	\$ 83,000
One to five years	<u>100,000</u>	<u>-</u>
	326,700	83,000
Less - allowance for doubtful accounts	<u>37,500</u>	<u>-</u>
Net pledges receivable	289,200	83,000
Less - current portion	<u>189,200</u>	<u>83,000</u>
Long-term pledges receivable, net	<u>\$ 100,000</u>	<u>\$ -</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.

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, 2019 and 2018

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, 2019 and 2018, were \$143,473 and \$224,199, 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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Donated goods and other	\$ 116,023	\$ 65,251
Donated services	<u>105,724</u>	<u>25,532</u>
	<u>\$ 221,747</u>	<u>\$ 90,783</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, 2019 and 2018. 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, 2019 and 2018

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 April 15, 2020, which is the date the consolidated financial statements were available to be issued. See Note 10 for an event that met the criteria for disclosure in the consolidated financial statements.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

3. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Computers and computer software	\$ 29,224	\$ 629,550
Furniture and fixtures	9,602	198,505
Leasehold improvements	-	<u>136,109</u>
	<u>38,826</u>	<u>964,164</u>
Less - accumulated depreciation	<u>24,680</u>	<u>953,836</u>
Net property, plant and equipment	<u>\$ 14,146</u>	<u>\$ 10,328</u>

During 2019, the Organization wrote off approximately \$938,000 of fully depreciated property, plant and equipment that is no longer in use.

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>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	\$ 251,234	\$ -	\$ -	\$ 251,234
Corporate bonds	-	248,639	-	248,639
Cash and money markets	239,900	-	-	239,900
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>
<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	\$ 150,415	\$ -	\$ -	\$ 150,415
Corporate bonds	-	24,878	-	24,878
Cash and money markets	198,530	-	-	198,530
U.S. Treasuries	-	<u>208,031</u>	-	<u>208,031</u>
Total	<u>\$ 348,945</u>	<u>\$ 232,909</u>	<u>\$ -</u>	<u>\$ 581,854</u>

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

Investments are classified as long-term in the accompanying consolidated statement of financial position as of December 31, 2019 and 2018, as management does not intend to utilize investment returns in 2020 to meet operating needs and did not utilize investment returns in 2019 to meet operating needs.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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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 \$18,588 to \$19,801 for the years ended December 31, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018, was \$252,212 and \$233,714, 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>
2020	\$ 235,392
2021	241,673
2022	247,955
2023	<u>41,500</u>
	<u>\$ 766,520</u>

During 2019, the Organization renewed a sublease agreement with a third party to rent space through April 2020. Monthly payments were approximately \$1,900 for the years ended December 31, 2019 and 2018. Income from this agreement totaled approximately \$23,000 and \$22,000 for the years ended December 31, 2019 and 2018, 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 is approximately \$7,600 in 2021.

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, 2019 and 2018, 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, 2019 and 2018, totaled \$80,911 and \$62,618, respectively, which are included in payroll taxes and fringe benefits in the accompanying consolidated statements of functional expenses.

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8. RELATED PARTY TRANSACTIONS

The following were related party transactions entered into by NBTS during 2019 and 2018:

Cure GBM: NBTS paid \$1,000,000 and \$2,004,025 in grant and legal expenses on behalf of Cure GBM for the years ended December 31, 2019 and 2018, respectively.

PCC: NBTS paid \$507,500 on behalf of PCC for the year ended December 31, 2019. NBTS did not pay any expenses on behalf of PCC during 2018.

During 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, 2019 and 2018, the campaign has raised \$250,000 and \$193,099, respectively, to fund the endowment (see page 9).

9. 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>2019</u>	<u>2018</u>
Cash	\$ 6,422,000	\$ 3,088,930
Pledges receivable	<u>189,200</u>	<u>83,000</u>
	<u>6,611,200</u>	<u>3,171,930</u>
Contractual or donor-imposed restrictions:		
Cash	(3,569,980)	(681,202)
Pledges receivable	<u>(189,200)</u>	<u>(83,000)</u>
	<u>(3,759,180)</u>	<u>(764,202)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,852,020</u>	<u>\$ 2,407,728</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 \$303,000 of investments without donor restrictions as of December 31, 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.

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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 is unknown. Our management team is currently modeling financial contingency plans. Administrative and fundraising activities have been safely transitioned to a cyber environment. While this disruption is expected to be temporary, there is considerable uncertainty around its duration. The impact on the Organization's financial position and operating results cannot be reasonably estimated at this time.

11. RECLASSIFICATION

Certain amounts in the 2018 consolidated financial statements were reclassified to conform with the 2019 presentation.