



National Brain Tumor Society

AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

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December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of National Brain Tumor Society, Inc. (a Massachusetts corporation, not for profit) and Subsidiaries (collectively, the Organization) which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying 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, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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.

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

The signature is written in a cursive, handwritten style. It reads "AAFCPA, Inc." with a stylized flourish at the end.

Westborough, Massachusetts
May 26, 2022

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 10,256,352	\$ 8,059,747
Employee retention credit receivable	783,108	-
Current portion of pledges receivable, net of allowance for doubtful accounts	400,833	256,700
Current portion of convertible notes and interest receivable	-	516,071
Prepaid expenses and other assets	124,681	219,741
Total current assets	11,564,974	9,052,259
Pledges Receivable, net of current portion	168,334	-
Convertible Notes and Interest Receivable, net of current portion	101,418	102,176
Non-Marketable Investments in Pharmaceutical Companies	219,381	-
Investments	860,569	869,348
Property and Equipment, net	86,813	9,359
Intangible Asset	86,819	-
Total assets	<u>\$ 13,088,308</u>	<u>\$ 10,033,142</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 218,904	\$ 143,677
Accrued expenses	91,783	71,277
Research grants payable	700,000	500,000
Current portion of accrued rent	-	27,625
Total current liabilities	1,010,687	742,579
Notes Payable and Accrued Interest	691,052	699,882
Accrued Rent, net of current portion	-	35,570
Total liabilities	<u>1,701,739</u>	<u>1,478,031</u>
Net Assets:		
Without donor restrictions	6,730,462	3,431,389
With donor restrictions	4,656,107	5,123,722
Total net assets	<u>11,386,569</u>	<u>8,555,111</u>
Total liabilities and net assets	<u>\$ 13,088,308</u>	<u>\$ 10,033,142</u>

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

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NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:						
Fundraising and special events	\$ 4,405,563	\$ 636,442	\$ 5,042,005	\$ 3,961,160	\$ 537,084	\$ 4,498,244
Grants and contributions	2,865,660	1,750,590	4,616,250	1,829,985	1,843,079	3,673,064
Employee Retention Credit income	783,108	-	783,108	-	-	-
Bequests	601,973	-	601,973	665,657	-	665,657
Interest, dividends and other	46,779	-	46,779	68,697	-	68,697
Donated goods and services	21,394	-	21,394	40,489	-	40,489
Net assets released from purpose restrictions	2,854,647	(2,854,647)	-	1,681,069	(1,681,069)	-
Total operating revenue	11,579,124	(467,615)	11,111,509	8,247,057	699,094	8,946,151
Operating Expenses:						
Program	7,535,979	-	7,535,979	5,964,503	-	5,964,503
Fundraising	799,660	-	799,660	644,485	-	644,485
General and administrative	632,139	-	632,139	563,943	-	563,943
Total operating expenses	8,967,778	-	8,967,778	7,172,931	-	7,172,931
Changes in net assets from operations	2,611,346	(467,615)	2,143,731	1,074,126	699,094	1,773,220
Non-Operating Revenue (Losses):						
Forgiveness of debt	699,713	-	699,713	-	-	-
Net gain (loss) on investments	(11,986)	-	(11,986)	17,591	-	17,591
Total non-operating revenue (losses)	687,727	-	687,727	17,591	-	17,591
Changes in net assets	3,299,073	(467,615)	2,831,458	1,091,717	699,094	1,790,811
Net Assets:						
Beginning of year	3,431,389	5,123,722	8,555,111	2,339,672	4,424,628	6,764,300
End of year	\$ 6,730,462	\$ 4,656,107	\$ 11,386,569	\$ 3,431,389	\$ 5,123,722	\$ 8,555,111

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,831,458	\$ 1,790,811
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,377	4,787
Bad debt	-	71,104
Net (gain) loss on investments	11,986	(17,591)
Forgiveness of debt	(699,713)	-
Interest income converted to non-marketable investments in pharmaceutical companies	(3,456)	-
Loss on disposal of equipment	2,938	-
Changes in operating assets and liabilities:		
Employee retention credit receivable	(783,108)	-
Pledges receivable	(312,467)	(38,604)
Interest receivable	14,653	(18,247)
Prepaid expenses and other assets	95,060	(6,697)
Accounts payable	75,227	(34,586)
Accrued expenses	20,506	(189,589)
Research grants payable	200,000	-
Accrued rent	(63,195)	(21,344)
Accrued interest	5,564	4,582
Net cash provided by operating activities	<u>1,399,830</u>	<u>1,544,626</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	42,489	40,100
Purchases of investments and dividends reinvested	(45,696)	(42,279)
Purchases of non-marketable investments in pharmaceutical companies	(113,749)	-
Repayment of notes receivable and interest	500,000	-
Issuance of notes receivable	(100,000)	(600,000)
Acquisition of property and equipment	(84,769)	-
Acquisition of intangible assets	(86,819)	-
Net cash provided by (used) in investing activities	<u>111,456</u>	<u>(602,179)</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable	<u>685,319</u>	<u>695,300</u>
Net Change in Cash and Cash Equivalents	<u>2,196,605</u>	<u>1,637,747</u>
Cash and Cash Equivalents:		
Beginning of year	<u>8,059,747</u>	<u>6,422,000</u>
End of year	<u><u>\$ 10,256,352</u></u>	<u><u>\$ 8,059,747</u></u>
Supplemental Disclosure of Non-cash Transactions:		
Unrealized gain on investments	<u><u>\$ 13,346</u></u>	<u><u>\$ 12,791</u></u>
Notes receivable and interest converted to non-marketable investments in pharmaceutical companies	<u><u>\$ 105,632</u></u>	<u><u>\$ -</u></u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021

(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021				2020
	Program	Fundraising	General and Administrative	Total	Total
Expenses:					
Personnel:					
Salaries	\$ 2,833,769	\$ 571,779	\$ 250,213	\$ 3,655,761	\$ 3,600,863
Payroll taxes and fringe benefits	474,596	76,847	40,078	591,521	579,973
Total personnel	3,308,365	648,626	290,291	4,247,282	4,180,836
Research grants	2,720,431	-	-	2,720,431	968,121
Other:					
Professional services	361,870	10,737	152,861	525,468	434,823
Systems and technology	273,380	29,621	29,521	332,522	305,184
Occupancy	143,340	39,093	78,185	260,618	234,920
Special events	233,252	10,908	-	244,160	241,010
Bank fees	156,775	22,666	36,989	216,430	186,076
Technology	72,133	12,049	9,157	93,339	117,194
Public relations	74,706	4,820	803	80,329	9,035
Merchandise	41,312	4,024	2,573	47,909	105,556
Advertising	40,861	-	-	40,861	79,918
Insurance	17,817	4,810	9,288	31,915	32,110
Dues and subscriptions	27,230	3,591	583	31,404	35,919
Training and recruiting	16,982	3,730	6,511	27,223	18,767
Donated goods and services	14,555	-	6,839	21,394	40,489
Office	9,326	2,312	4,701	16,339	22,217
Postage and shipping	11,013	1,392	1,229	13,634	36,517
Travel	10,101	624	795	11,520	41,445
Depreciation	2,407	657	1,313	4,377	4,787
Miscellaneous	123	-	500	623	6,903
Bad debt	-	-	-	-	71,104
Total other	1,507,183	151,034	341,848	2,000,065	2,023,974
Total expenses	<u>\$ 7,535,979</u>	<u>\$ 799,660</u>	<u>\$ 632,139</u>	<u>\$ 8,967,778</u>	<u>\$ 7,172,931</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2020

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminis- trative</u>	<u>Total</u>
Expenses:				
Personnel:				
Salaries	\$ 2,913,959	\$ 434,844	\$ 252,060	\$ 3,600,863
Payroll taxes and fringe benefits	518,785	51,069	10,119	579,973
Total personnel	<u>3,432,744</u>	<u>485,913</u>	<u>262,179</u>	<u>4,180,836</u>
Research grants	<u>968,121</u>	<u>-</u>	<u>-</u>	<u>968,121</u>
Other:				
Professional services	321,931	13,045	99,847	434,823
Systems and technology	255,113	32,399	17,672	305,184
Occupancy	129,206	35,238	70,476	234,920
Special events	218,641	22,369	-	241,010
Bank fees	154,270	22,731	9,075	186,076
Technology	93,957	5,748	17,489	117,194
Public relations	8,403	542	90	9,035
Merchandise	98,167	6,333	1,056	105,556
Advertising	79,918	-	-	79,918
Insurance	24,060	4,839	3,211	32,110
Dues and subscriptions	30,140	5,701	78	35,919
Training and recruiting	16,349	614	1,804	18,767
Donated goods and services	36,088	-	4,401	40,489
Office	18,417	126	3,674	22,217
Postage and shipping	32,591	3,376	550	36,517
Travel	37,242	4,134	69	41,445
Depreciation	3,622	687	478	4,787
Miscellaneous	5,523	690	690	6,903
Bad debt	-	-	71,104	71,104
Total other	<u>1,563,638</u>	<u>158,572</u>	<u>301,764</u>	<u>2,023,974</u>
Total expenses	<u>\$ 5,964,503</u>	<u>\$ 644,485</u>	<u>\$ 563,943</u>	<u>\$ 7,172,931</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

1. OPERATIONS AND NONPROFIT STATUS

National Brain Tumor Society, Inc. (NBTS) (a Massachusetts corporation, not for profit) unrelentingly invests in, mobilizes, and unites the brain tumor community to discover a cure, deliver effective treatments and advocate for patients and care partners. NBTS advances its charitable mission through funding and enabling innovative medical research, public policy advocacy, brain tumor community health initiatives, providing patient and caregiver education, support and health care navigation, and through convening thousands of people affected by brain tumors throughout the United States. 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, and 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. In April 2021, ABCIF dissolved, at which time all assets and liabilities were transferred to NBTS.

NBTS Venture Fund, LLC d/b/a Brain Tumor Investment Fund (BTIF) is a Delaware limited liability company organized on March 10, 2020, for the purpose of funding research and making investments in biopharmaceutical, device and technology companies seeking to develop potentially transformative treatments for brain tumor patients. BTIF received contributions of approximately \$612,000 and \$600,000 in 2021 and 2020, respectively. The contributions are pooled to be invested in a portfolio of various pharmaceutical companies in the form of convertible notes receivable (see Note 9) or direct shares of stock (see Note 10).

TDG, LLC (TDG) is a Delaware limited liability company organized on February 16, 2021, for the purpose of carrying out and operating NBTS's DNA Damage Response Consortium (DDR-C). The DDR-C is a grant funded multi-institutional consortium of leading medical academic centers working collaboratively to develop a class of drugs for brain tumor patients called DNA damage repair inhibitors. TDG received contributions totaling approximately \$170,000 in 2021.

The accompanying consolidated financial statements include activity of NBTS, Cure GBM, PCC, ABCIF (through its dissolution in April 2021), BTIF, and TDG.

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, BTIF, and TDG are disregarded for tax purposes and the activities of these entities are included in the informational returns of NBTS.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Basis of Accounting

The Organization 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).

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 grants and contributions without restrictions is recorded as without donor restrictions revenue and net assets when unconditionally pledged or received. Fundraising and special events revenue are recognized as revenue when unconditionally pledged or received. 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 2021 and 2020, the Organization received bequests totaling \$601,973 and \$665,657, 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, 2021 and 2020

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>2021</u>	<u>2020</u>
Subject to expenditure for specific purposes:		
Research initiatives	\$ 4,090,659	\$ 4,558,274
Unspent appreciation on endowment	<u>18,794</u>	<u>18,794</u>
	4,109,453	4,577,068
Subject to the Organization's endowment spending policy:		
Investment in perpetuity	<u>546,654</u>	<u>546,654</u>
	<u>\$ 4,656,107</u>	<u>\$ 5,123,722</u>

The Organization manages the endowment, with a balance of \$546,654, 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 2021 and 2020.

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.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable and Allowance for Doubtful Accounts

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

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 400,833	\$ 315,304
One to five years	<u>188,334</u>	<u>-</u>
	589,167	315,304
Less - allowance for doubtful accounts	<u>20,000</u>	<u>58,604</u>
Net pledges receivable	569,167	256,700
Less - current portion	<u>400,833</u>	<u>256,700</u>
Long-term pledges receivable, net	<u>\$ 168,334</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.

Convertible Notes and Interest Receivable

Periodically, the Organization invests through BTIF, in pharmaceutical companies seeking to develop potentially transformative treatments for brain tumor patients. Generally, these notes accrue interest at a stated rate and have the option to convert into equity at a discount based on a specified future event. 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, 2021 or 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>
Website	3 years
Computers and computer software	3 - 5 years
Furniture and fixtures	7 years

Intangible Asset

Intangible asset consists of costs incurred related to the Organization's new logo and rebrand, totaling \$86,819 at December 31, 2021. The logo and rebrand costs are expected to be placed in service in 2022, at which time the costs will be amortized on the straight-line basis with a useful life of five years.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (losses) includes investment activity and forgiveness of debt.

Research Grant Commitments

Research grants are recorded when awarded by the Organization when substantial conditions are met by the grantee. Research grants expected to be paid during the subsequent 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, 2021 and 2020, were \$40,861 and \$79,918, 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, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Donated services	\$ 21,394	\$ 21,746
Donated goods and other	<u>-</u>	<u>18,743</u>
	<u>\$ 21,394</u>	<u>\$ 40,489</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.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020. The Organization's information returns are subject to examination by Federal and state jurisdictions.

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.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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).

Non-marketable Investments in Pharmaceutical Companies

The Organization accounts for non-marketable investments in pharmaceutical companies using the measurement alternative under Accounting Standards Update (ASU) 2016-01 (see Note 10), which is defined as cost, less impairment, plus or minus changes resulting from observable price changes for identical or similar investments of the same issuer. These estimated values may differ significantly from the values that would have been used, had a ready market existed for the underlying investments.

The Organization periodically assesses the carrying value for all investments in non-marketable pharmaceutical companies for possible impairment. No impairment losses were recognized in 2021.

Subsequent Events

Subsequent events have been evaluated through May 26, 2022, which is the date the consolidated financial statements were available to be issued. See Note 9 for an event that met criteria for disclosure in the consolidated financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Website	\$ 84,769	\$ -
Computers and computer software	24,294	29,224
Furniture and fixtures	-	9,602
	<u>109,063</u>	<u>38,826</u>
Less - accumulated depreciation	<u>22,250</u>	<u>29,467</u>
Net property and equipment	<u>\$ 86,813</u>	<u>\$ 9,359</u>

The website is expected to be placed in service in 2022, at which time the Organization will begin depreciating the asset.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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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>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 339,012	\$ -	\$ -	\$ 339,012
Corporate bonds	-	273,408	-	273,408
Equity funds	<u>248,149</u>	<u>-</u>	<u>-</u>	<u>248,149</u>
Total	<u>\$ 587,161</u>	<u>\$ 273,408</u>	<u>\$ -</u>	<u>\$ 860,569</u>
<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>-</u>	<u>-</u>	<u>248,960</u>
Total	<u>\$ 594,710</u>	<u>\$ 274,638</u>	<u>\$ -</u>	<u>\$ 869,348</u>

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

The corporate bonds mature at various times between January 2024 and September 2031.

Investments are classified as long-term in the accompanying consolidated statements of financial position as of December 31, 2021 and 2020, as management intends to hold these investments for long-term purposes.

5. OPERATING LEASES

The Organization leased office space under an operating lease in Massachusetts which was set to expire in February 2023. This lease required monthly payments ranging from \$17,388 to \$19,150 for the years ended December 31, 2021 and 2020. Under the agreement, the Organization had an option to extend the lease for one additional five-year term.

In November 2021, the lease was amended to reduce the rented space and convert the lease to month-by-month. As part of this amendment, the Organization agreed to pay the landlord approximately \$37,000 and forgo the security deposit of approximately \$35,000, which was required as part of the original lease.

The Organization had recorded six months of free rent upon executing the original lease and was recognizing rent expense on a straight-line basis over the term of the lease in accordance with ASC Topic 840, *Leases*. The accrued rent liability at December 31, 2020, is reflected as accrued rent in the accompanying consolidated statement of financial position as a result of rent being recognized on the straight-line method. Upon amendment of the lease, the accrued rent was expensed in 2021.

Total rent expense incurred for the years ended December 31, 2021 and 2020, was \$260,618 and \$234,920, respectively, and is reflected as occupancy in the accompanying consolidated statements of functional expenses.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

5. OPERATING LEASES (Continued)

The Organization had a sublease agreement with a third party to rent through April 2020. Upon expiration, the space was leased on a month-to-month basis through February 2021. Monthly payments were approximately \$1,900 for the years ended December 31, 2021 and 2020. Income from this agreement totaled approximately \$4,000 and \$23,000 for the years ended December 31, 2021 and 2020, respectively, 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, 2021 and 2020, 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.

As of December 31, 2021, approximately 73% of pledges receivable was from three donors.

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, 2021 and 2020, totaled \$76,973 and \$44,566, respectively, which are included in payroll taxes and fringe benefits in the accompanying consolidated statements of functional expenses.

8. NOTES PAYABLE

During fiscal years 2021 and 2020, the Organization applied for and was awarded forgivable loans of \$685,319 and \$685,300, respectively, 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. In February 2021, the Organization's PPP loan that was received in 2020 plus interest was fully forgiven by the Small Business Administration (SBA) and was recognized as forgiveness of note payable in the accompanying 2021 consolidated statement of activities and changes in net assets. The Organization has applied for forgiveness of the PPP loan received in 2021 subsequent to year-end and expects full forgiveness. However, forgiveness has not been received as of the date of this report.

During 2020, the Organization received a forgivable \$10,000 Economic Injury Disaster Loan (EIDL) through the SBA. The loan bore interest at 2.75% and required equal payments of principal and interest through April 2050 (maturity). During 2021, the EIDL was forgiven by the SBA.

The balance of the notes payable and accrued interest was as follows at December 31:

	<u>2021</u>	<u>2020</u>
2021 PPP Loan	\$ 685,319	\$ -
2020 PPP Loan	-	685,300
EIDL Loan	-	10,000
Accrued Interest	<u>5,733</u>	<u>4,582</u>
	<u>\$ 691,052</u>	<u>\$ 699,882</u>

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

9. CONVERTIBLE NOTES AND INTEREST RECEIVABLE

During 2021 and 2020, BTIF entered into unsecured note agreements with pharmaceutical companies to invest in research. Notes and interest receivable consist of the following at December 31:

	2021		2020	
	Notes Receivable	Interest Receivable	Notes Receivable	Interest Receivable
Note C	\$ 100,000	\$ 1,418	\$ -	\$ -
Note A	-	-	500,000	16,071
Note B	-	-	100,000	2,176
	100,000	1,418	600,000	18,247
Less - current portion	-	-	500,000	16,071
	<u>\$ 100,000</u>	<u>\$ 1,418</u>	<u>\$ 100,000</u>	<u>\$ 2,176</u>

Note A bore interest at 6% and matured on June 19, 2021, at which time all outstanding principal and interest was repaid to BTIF. As part of the Note A agreement, there are embedded warrant options to purchase 125,000 shares 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. This option has not been exercised.

Note B bore interest at 8% and was set to mature on March 23, 2022. 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 June 2021, Note B converted to direct shares of preferred stock in Company B (see Note 10).

Note C bears interest at 8% and matures in July 2023. The Note C agreement has an automatic conversion of note plus interest to shares of the pharmaceutical company's (Company C) preferred stock upon Company C closing on qualified financing. The mechanics of conversion are dependent upon the facts and circumstances of the financing as defined in the convertible note agreement. On April 8, 2022, Note C and related interest were converted to 10,479 shares of preferred stock priced at \$6.59 per share.

10. NON-MARKETABLE INVESTMENTS IN PHARMARMACEUTICAL COMPANIES

Investments in pharmaceutical companies are recorded on the measurement alternative method based upon BTIF's lack of significant influence over the companies as it holds less than 2% of total shares in the respective companies.

On June 9, 2021, BTIF's Note B with Company B and related interest (see Note 9) of \$105,632 converted to 151,708 shares of preferred stock priced at \$1.16 per share. Additionally, on July 1, 2021, BTIF purchased an additional 11,848 shares priced at \$1.16 per share. Total shares in Company B are 163,556 valued at \$1.16 per share. The investment is valued at cost of \$119,382 based on initial investment as of December 31, 2021.

On June 24, 2021, BTIF invested \$99,999 in a fourth pharmaceutical company (Company D) to purchase 53,990 shares of preferred stock in Company D priced at \$1.87 per share. The investment is valued at cost of \$99,999 based on the initial investment as of December 31, 2021.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

10. NON-MARKETABLE INVESTMENTS IN PHARMARMACEUTICAL COMPANIES (Continued)

On the adoption of ASU 2016-01, the Organization elected to measure all non-marketable investment using the measurement alternative in which these investments are measured at cost, less impairment, plus or minus changes resulting from observable price changes for identical or similar investments of the same issuer. The values presented herein are not necessarily indicative of the amount that the Organization could realize in a current transaction. The values may differ significantly from the values that would have been used had a ready market value for the underlying assets existed and the differences could be material. Future confirming events will also affect the estimates of the value, and the effect of such events on those estimates of the value could be material.

11. 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.

12. 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>2021</u>	<u>2020</u>
Cash	\$ 10,256,352	\$ 8,059,747
Employee retention credit receivable	783,108	-
Pledges receivable	<u>400,833</u>	<u>256,700</u>
	11,440,293	8,316,447
Less - contractual or donor-imposed restrictions	<u>(3,922,325)</u>	<u>(4,558,274)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,517,968</u>	<u>\$ 3,758,173</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 obligations come due. In addition, the Organization has approximately \$295,000 and \$304,000 of investments without donor restrictions as of December 31, 2021 and 2020, respectively, 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.

NATIONAL BRAIN TUMOR SOCIETY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

13. EMPLOYER RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021. To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization has determined that it qualifies for a portion of the 2021 ERTC that pertains to January 1, 2021 to September 30, 2021, and therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of December 31, 2021. The total grant of \$783,108 was recognized as Employee Retention Credit Income in the accompanying consolidated statement of activities and changes in net assets for the year ended December 31, 2021. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government.