

Children's Cancer Research Fund

Financial Statements Together with Independent Auditors' Report

December 31, 2023

CHILDREN'S CANCER RESEARCH FUND

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Cancer Research Fund
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of Children's Cancer Research Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Cancer Research Fund as of December 31, 2023 and 2022, and the changes in its net assets and its 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Cancer Research Fund 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 Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Children's Cancer Research Fund'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Cancer Research Fund'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.

Roseville, Minnesota
August 6, 2024

Olsen Thielen + Co., Ltd.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2023 AND 2022

ASSETS		
	2023	2022
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 8,359,959	\$ 11,113,480
Pledges Receivable	1,150,356	1,148,748
Accrued Interest	2,466	12,397
Prepaid Expenses	89,688	67,290
Total Current Assets	9,602,469	12,341,915
PROPERTY AND EQUIPMENT:		
Property and Equipment	1,196,136	858,100
Less Accumulated Depreciation	691,932	437,794
Net Property and Equipment	504,204	420,306
OTHER NON CURRENT ASSETS:		
Investment Securities	4,622,297	4,095,995
Pledges Receivable, Net	502,276	1,116,365
Operating Lease Right-of-Use Asset	1,182,865	191,046
Total Other Non Current Assets	6,307,438	5,403,406
TOTAL ASSETS	\$ 16,414,111	\$ 18,165,627
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 249,931	\$ 446,862
Accrued Payroll and Related	218,595	480,084
Operating Lease Obligation	30,577	181,700
Grants Payable	5,671,001	7,698,546
Total Current Liabilities	6,170,104	8,807,192
NON CURRENT LIABILITIES:		
Grants Payable, Net	2,643,576	3,551,235
Operating Lease Obligation	1,154,974	26,100
Total Non Current Liabilities	3,798,550	3,577,335
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	1,625,316	625,496
Board Designated	2,556,698	2,556,698
Total Without Donor Restrictions	4,182,014	3,182,194
With Donor Restrictions	2,263,443	2,598,906
Total Net Assets	6,445,457	5,781,100
TOTAL LIABILITIES AND NET ASSETS	\$ 16,414,111	\$ 18,165,627

The accompanying notes are an integral part of the financial statements.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2023

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
General Contributions	\$ 5,148,954	\$ 3,737,081	\$ 8,886,035
Events	9,059,262	-	9,059,262
Direct Expenses	(146,521)	-	(146,521)
Donated Goods and Services	6,799,788	-	6,799,788
Cause Marketing	381,668	-	381,668
Investment Income	746,367	145,074	891,441
Other	42,294	-	42,294
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	4,217,618	(4,217,618)	-
Total Support and Revenue	<u>26,249,430</u>	<u>(335,463)</u>	<u>25,913,967</u>
EXPENSES:			
Program Services:			
Research	6,423,219	-	6,423,219
Education and Awareness	13,317,651	-	13,317,651
Patient and Family Services	578,654	-	578,654
Total Program Expenses	<u>20,319,524</u>	<u>-</u>	<u>20,319,524</u>
Supporting Services:			
Fundraising	3,585,309	-	3,585,309
Management and General	1,344,777	-	1,344,777
Total Support Expenses	<u>4,930,086</u>	<u>-</u>	<u>4,930,086</u>
Total Expenses	<u>25,249,610</u>	<u>-</u>	<u>25,249,610</u>
CHANGE IN NET ASSETS	999,820	(335,463)	664,357
NET ASSETS at Beginning of Year	<u>3,182,194</u>	<u>2,598,906</u>	<u>5,781,100</u>
NET ASSETS at End of Year	<u>\$ 4,182,014</u>	<u>\$ 2,263,443</u>	<u>\$ 6,445,457</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF ACTIVITIES (Continued) YEAR ENDED DECEMBER 31, 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
General Contributions	\$ 4,413,543	\$ 3,086,086	\$ 7,499,629
Events	11,492,329	-	11,492,329
Direct Expenses	(78,508)	-	(78,508)
Donated Goods and Services	9,985,294	-	9,985,294
Cause Marketing	283,586	-	283,586
Investment (Loss)	(674,231)	(150,052)	(824,283)
Other	69,543	-	69,543
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	<u>2,839,250</u>	<u>(2,839,250)</u>	<u>-</u>
Total Support and Revenue	<u>28,330,806</u>	<u>96,784</u>	<u>28,427,590</u>
EXPENSES:			
Program Services:			
Research	5,029,975	-	5,029,975
Education and Awareness	17,759,548	-	17,759,548
Patient and Family Services	527,911	-	527,911
Total Program Expenses	<u>23,317,434</u>	<u>-</u>	<u>23,317,434</u>
Supporting Services:			
Fundraising	4,046,068	-	4,046,068
Management and General	1,383,316	-	1,383,316
Total Support Expenses	<u>5,429,384</u>	<u>-</u>	<u>5,429,384</u>
Total Expenses	<u>28,746,818</u>	<u>-</u>	<u>28,746,818</u>
CHANGE IN NET ASSETS	(416,012)	96,784	(319,228)
NET ASSETS at Beginning of Year	<u>3,598,206</u>	<u>2,502,122</u>	<u>6,100,328</u>
NET ASSETS at End of Year	<u>\$ 3,182,194</u>	<u>\$ 2,598,906</u>	<u>\$ 5,781,100</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2023

	2023					Total
	Program Services			Supporting Services		
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	
Personnel Costs	\$ 422,423	\$ 1,692,837	\$ 377,354	\$ 888,720	\$ 986,675	\$ 4,368,009
Professional Services	46,064	1,062,047	34,427	604,276	90,017	1,836,831
Printing and Postage:						
Office Printing and Postage	1,349	374,828	31,846	14,737	3,152	425,912
Direct Mail	-	1,079,992	-	295,648	-	1,375,640
Promotion and Advertising:						
In-Kind PSA Media	-	6,799,788	-	-	-	6,799,788
Advertising	-	1,514,101	-	1,211,182	1	2,725,284
Supplies and Equipment	1,245	237,914	12,665	108,261	2,907	362,992
Venue and Entertainment	4,490	36,223	10,580	61,445	10,489	123,227
Fees, Licenses and Permits	22,453	174,940	20,067	223,399	52,467	493,326
Insurance	2,490	9,979	2,224	5,239	5,816	25,748
Travel and Lodging	4,794	19,211	4,282	10,086	11,198	49,571
Facilities and Administration	19,693	78,919	17,592	41,431	46,232	203,867
Research and Program Grants	5,840,759	-	-	-	-	5,840,759
Information Technology	32,882	138,380	45,662	69,178	78,416	364,518
Depreciation	24,577	98,492	21,955	51,707	57,407	254,138
Total Expenses	<u>\$ 6,423,219</u>	<u>\$ 13,317,651</u>	<u>\$ 578,654</u>	<u>\$ 3,585,309</u>	<u>\$ 1,344,777</u>	<u>\$ 25,249,610</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S CANCER RESEARCH FUND

STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED DECEMBER 31, 2022

	2022					
	Program Services			Supporting Services		Total
	Research	Education & Awareness	Patient & Family Services	Fund-raising	Management and General	
Personnel Costs	\$ 64,205	\$ 1,849,176	\$ 309,700	\$ 924,736	\$ 1,080,262	
Professional Services	27,059	1,991,441	179,890	429,708	149,454	2,777,552
Printing and Postage:						
Office Printing and Postage	–	216,493	7,355	148,337	4,078	376,263
Direct Mail	–	517,478	–	1,266,928	–	1,784,406
Promotion and Advertising:						
In-Kind PSA Media	–	9,985,294	–	–	–	9,985,294
Advertising	–	2,267,286	–	598,937	2	2,866,225
Supplies and Equipment	–	251,197	–	55,152	–	306,349
Venue and Entertainment	94	182,202	455	20,182	1,590	204,523
Fees, Licenses and Permits	–	204,128	–	253,701	12,151	469,980
Insurance	–	–	–	–	31,476	31,476
Travel and Lodging	146	15,314	1,267	20,124	2,465	39,316
Facilities and Administration	2,907	91,135	14,189	49,557	51,075	208,863
Research and Program Grants	4,933,112	–	525	–	–	4,933,637
Information Technology	45	119,740	2,918	244,197	10,259	377,159
Depreciation	2,407	68,664	11,612	34,509	40,504	157,696
Total Expenses	<u>\$ 5,029,975</u>	<u>\$ 17,759,548</u>	<u>\$ 527,911</u>	<u>\$ 4,046,068</u>	<u>\$ 1,383,316</u>	<u>\$ 28,746,818</u>

The accompanying notes are an integral part of the financial statements.

CHILDREN'S CANCER RESEARCH FUND
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 664,357	\$ (319,228)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	254,138	157,696
Non-Cash Lease Expense	167,648	167,648
Cash Payments on Operating Lease Obligations	(181,716)	(174,547)
Investment (Gains) Losses	(734,332)	906,406
Non Current Grants Payable	(907,659)	(141,934)
Non Current Pledges Receivable	614,089	245,995
Changes in Assets and Liabilities:		
Pledges Receivable	(1,608)	(370,948)
Accrued Interest	9,931	(3,270)
Prepaid Expenses	(22,398)	187,647
Accounts Payable	(196,931)	378,228
Accrued Payroll	(261,489)	13,698
Grants Payable	(2,027,545)	(1,538,043)
Net Cash Flows From Operating Activities	<u>(2,623,515)</u>	<u>(490,652)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(338,036)	(229,045)
Purchases of Investments	(510,983)	(624,282)
Proceeds from Sale of Investments	719,013	528,713
Net Cash Flows From Investing Activities	<u>(130,006)</u>	<u>(324,614)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,753,521)	(815,266)
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>11,113,480</u>	<u>11,928,746</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 8,359,959</u>	<u>\$ 11,113,480</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
New Right-of-Use Asset	\$ 1,154,974	\$ —
New Operating Lease Obligation	(1,154,974)	—
Right-of-Use Asset at Adoption of New Lease Standard	—	347,313
Operating Lease Obligation at Adoption of New Lease Standard	—	(370,966)
Change to Other Accrued Liabilities	—	23,653

The accompanying notes are an integral part of the financial statements.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's Cancer Research Fund (the Organization) is a national nonprofit who supports the brightest and boldest researchers searching for better treatments and cures for childhood cancer. Because childhood cancer affects the whole family and community, we also educate the public about childhood cancer and fund a variety of services that enhance healing and care for children and their families.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Assets without Donor Restrictions

Undesignated: Resources over which the Board of Directors has discretionary control.

Board Designated: Designated amounts represent those net assets which the Board has set aside to fund specific operational activities and to assure the long-term financial health of the Organization. The Board Designated fund is comprised of an Operating Fund which provides a funding mechanism to provide a consistent source of operating support in the operating budget and serves as a reserve to cover budget shortfalls.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through August 6, 2024, the date the financial statements were available to be issued.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Pledges Receivable

Pledges receivable consist of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using the present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue.

Allowance for Pledges Receivable Losses

Pledges receivable are assessed individually for collectability based on the surrounding facts and circumstances and past history.

The Organization monitors the credit quality of its pledges receivable balance. Pledges are reviewed periodically, and collectability of pledge balances is assessed. Losses in prior years have been insignificant. The Organization has recorded an allowance for uncollectible pledges of \$100,000 and \$0 at December 31, 2023 and 2022, respectively.

Property, Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture	7 Years
Office and Computer Equipment	3-5 Years
Software	3 Years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Payable

Unconditional grants are recorded as expense when approved by management. Grants that are subject to conditions are recorded when the conditions have been substantially met. Grants payable are stated at fair value by discounting payments due in more than one year. Grants payable cancelled in a subsequent year are recorded in the year of cancellation.

Revenue Recognition

The majority of the Organization's revenues are contributions which are exempt from ASC 606 – Revenue from Contracts with Customers.

Contributions Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Event Revenue

The Organization hosts multiple events throughout the year in differing varieties to educate the public and to raise funds in the name of fighting childhood cancer. Registration fees for these events (when applicable) are billed to the participant at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrant access to the event and event materials. Revenue from these events are recognized at the point in time the event is held and the Organization's performance obligation to hold the event is completed. The Organization also provides the opportunity to sponsor their events. Event sponsors pay for sponsorship for events in exchange for access for their representatives to the event itself, access to the event materials, and access to the individuals attending the events. Registration and sponsorships for the Organization's events opens months before the events are scheduled to be held. Cash receipts for registrations and sponsorships collected in advance of the events are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized.

As a practical expedient, the Organization groups similar contracts or similar performance obligations together into portfolios of contracts if doing so does not result in a significant difference from applying this accounting standard to the individual contracts.

There are no significant contract assets or liabilities recognized on the financial statements under the standard.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization recognizes revenue and expenses for donated space in the form of publications and digital media for Public Service Announcements (PSA's) and education media outreach.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expense

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- 1) Salaries and wages, benefits, and payroll taxes are allocated based on the amounts of time spent by employees performing those functions.
- 2) Occupancy, depreciation, amortization and interest are allocated on a square foot basis based on the programs and supporting activities occupying the space.
- 3) Telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of salaries and wages.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in support received in future years.

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code therefore, the statements do not include a provision for income taxes but is subject to income tax on net unrelated business income.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. The Organization had a credit risk concentration as a result of depositing approximately \$2,797,000 of funds in excess of insurance limits in three banks.

Fair Value Measurements

Under generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on inputs as presented in Note 2.

Endowments

The Organization follows the provisions of the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered net assets with donor restrictions.

Change in Accounting Principle (Credit Losses)

Adoption of FASB ASU 2016-13 and Related Standards

Effective January 1, 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined for non pledge receivables.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the 2022 financial statements and notes have been reclassified to conform with the 2023 presentation. These reclassifications had no effect on change in net assets or net assets for either period.

NOTE 2 - INVESTMENTS

Investments are stated at fair value at December 31, 2023 and 2022 and consisted of the following:

	2023	2022
Money Market Funds	\$ 395,685	\$ 81,224
Marketable Equity Securities	3,150,086	2,749,415
Non Marketable Equity Securities	75,000	75,000
Convertible Note Receivable	50,000	50,000
Mutual Funds	-	38,891
Corporate Bonds, Maturity Date 2024 Through 2032	1,245,704	1,119,308
Government Bonds, Maturity Date 2025 Through 2029	64,374	63,381
Total	\$ 4,980,849	\$ 4,177,219

Net investment income (loss) for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Interest and Dividend Income	\$ 172,078	\$ 97,890
Investment Gains (Losses)	734,332	(906,406)
Investment Fees	(14,969)	(15,767)
Total	\$ 891,441	\$ (824,283)

Investments accounts were held as follows at December 31, 2023 and 2022:

	2023	2022
General Investment Account	\$ 3,971,442	\$ 3,312,886
Endowment Investment Account	884,407	739,333
Non Marketable Equity Securities - Oncoheroes Bioscience, Inc.	75,000	75,000
Convertible Note Receivable - OS Therapies, Inc.	50,000	50,000
Money Market Reclassification to Cash Equivalents	(358,552)	(81,224)
Total	\$ 4,622,297	\$ 4,095,995

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

The following tables, as of December 31, 2023 and 2022, provide information by level for assets that are measured at fair value, on a recurring basis.

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
December 31, 2023:				
Money Market Funds	\$ 395,685	\$ 395,685	\$ -	\$ -
Marketable Equity Securities	3,150,086	3,150,086	-	-
Non Marketable Equity Securities	75,000	-	-	75,000
Convertible Note Receivable	50,000	-	-	50,000
Corporate Bonds	1,245,704	-	1,245,704	-
Government Bonds	64,374	-	64,374	-
Totals	<u>\$ 4,980,849</u>	<u>\$ 3,545,771</u>	<u>\$ 1,310,078</u>	<u>\$ 125,000</u>

Description	Total	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
December 31, 2022:				
Money Market Funds	\$ 81,224	\$ 81,224	\$ -	\$ -
Marketable Equity Securities	2,749,415	2,749,415	-	-
Non Marketable Equity Securities	75,000	-	-	75,000
Convertible Note Receivable	50,000	-	-	50,000
Mutual Funds	38,891	38,891	-	-
Corporate Bonds	1,119,308	-	1,119,308	-
Government Bonds	63,381	-	63,381	-
Totals	<u>\$ 4,177,219</u>	<u>\$ 2,869,530</u>	<u>\$ 1,182,689</u>	<u>\$ 125,000</u>

The fair value maturities of the corporate bonds as of December 31, 2023 are as follows: 0-5 years - \$759,485 and 6-10 years - \$486,219. The fair value maturities of the government bonds as of December 31, 2023, are as follows; 0-5 years - \$64,374 and 6-10 years - \$0.

The fair value of the Organization's money market funds, marketable equity securities, and mutual funds were determined based on Level 1 inputs.

The fair values of the Organization's corporate bonds and government bonds were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs include the probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

In 2021, the Organization subscribed to a private placement of future stock in Oncoheroes Biosciences, Inc. which is a biotech company focused on advancing new therapies for childhood cancer. These future stock rights are non-marketable and as such classified based on Level 3 inputs. The Organization has not recorded any changes to the value of this future stock in 2022 or 2023. The only activity for this investment is based on Level 3 inputs was the purchase of these rights for \$75,000 in 2021.

In 2021, the Organization subscribed to a private placement of convertible note receivables in the amount of \$100,000 of OS Therapies, Inc. which is a biotech company focused on advancing new therapies for childhood cancer. This note receivable is due in May 2024 and bears interest at 6% annually. Upon the completion of an equity offering of at least \$10,000,000 by OS Therapies, the Note Receivable will convert to shares of stock in OS Therapies subject to various dilution provisions in the agreement. This convertible note receivable is non-marketable and as such classified based on Level 3 inputs. The Organization has recorded a \$50,000 valuation allowance on this investment recognizing dilution in their investment prior to any equity offering by OS Therapies, Inc.

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material to the amounts reported in the statement of financial position.

NOTE 3 - PLEDGES RECEIVABLE

Promises to give consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Pledges Receivable, Net	<u>\$ 1,652,632</u>	<u>\$ 2,265,113</u>

Pledges receivable are due as follows for the years ended December 31:

2024	\$ 1,150,356
2025	330,626
2026	140,000
2027	120,000
2028	110,000
Thereafter	—
	<u>1,850,982</u>
Less Allowance for Pledge Receivable	100,000
Less Discount at 8%	<u>98,350</u>
Total	<u>\$ 1,652,632</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of December 31:

	2023	2022
Furniture	\$ 330,728	\$ 319,728
Office, Computer Equipment and Software	865,408	538,372
Total	\$ 1,196,136	\$ 858,100

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's cash flows, and general expenditures have seasonal variations due to the timing of annual cash receipts for event revenue and a concentration of contributions received related to certain events. Investments consist of funds designated by the board of directors for operating reserves. Investment earnings are typically re-invested in the investment portfolio. The Organization does not intend to spend from these board designated investments and meets on a regular basis to discuss whether any appropriations are considered necessary.

Available cash and annual increase in net assets are typically adequate to meet all obligations the Organization has. In the event of additional liquidity needs, there is a \$550,000 available line of credit.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022 are as follows:

	2023	2022
Financial Assets:		
Cash and Cash Equivalents	\$ 8,359,959	\$ 11,113,480
Pledges Receivable	1,150,356	1,148,748
Endowment and Long-Term Investments	4,622,297	4,095,995
Pledges Receivable - Non Current, Net	502,276	1,116,365
Total Financial Assets	14,634,888	17,474,588
Less Financial Assets Held to Meet Donor Restrictions:		
Donor-Restricted - Purpose	1,379,036	1,859,573
Donor-Restricted - Endowment Funds	884,407	739,333
Less Financial Assets Held to Meet Donor Restrictions	2,263,443	2,598,906
Less Financial Assets not Available within One Year:		
Pledges Receivable - Non Current, Net	502,276	1,116,365
Board Designated Investments	2,556,698	2,556,698
Less Financial Assets not Available within One Year	3,058,974	3,673,063
Amounts Available for General Expenditure within One Year	\$ 9,312,471	\$ 11,202,619

The above table reflects donor-restricted and board designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS

The purpose of the endowment funds is to provide support to help eradicate childhood cancer. The Organization's endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Organization has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return. The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENTS (Continued)

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level of the original value of gifts donated plus subsequent gifts of perpetual duration. If the principal balance falls below 20% of the original fund balance, ordinary distributions will be temporarily suspended until the fund balance is restored to the original fund balance. In accordance with generally accepted accounting policies, market value deficiencies of this nature are reported as net assets without donor restrictions. There were no deficiencies that occurred during the year ended December 31, 2023 and 2022.

The Finance, Investment and Audit Committee annually reviews and recommends to the Board of Directors the amount to be distributed from endowment assets for the next fiscal year.

Changes in endowment net assets for years ended December 31, 2023, and 2022 are as follows:

	With Donor Restrictions		Total
	Restricted	Endowed	
Endowment Net Assets, December 31, 2021	\$ 356,543	\$ 532,842	\$ 889,385
Investment Loss	(150,052)	–	(150,052)
Contributions	–	–	–
Endowment Net Assets, December 31, 2022	206,491	532,842	739,333
Investment Income	145,074	–	145,074
Contributions	–	–	–
Endowment Net Assets, December 31, 2023	<u>\$ 351,565</u>	<u>\$ 532,842</u>	<u>\$ 884,407</u>

NOTE 7 - GRANTS PAYABLE

Grants payable are due as follows for the years ended December 31:

2024	\$ 5,671,001
2025	2,345,523
2026	200,000
2027	200,000
2028	100,000
Thereafter	100,000
	8,616,524
Less Discount at 8%	301,947
Total	<u>\$ 8,314,577</u>

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LINE OF CREDIT

The Organization has a revolving credit loan agreement with a bank which enables the Organization to borrow up to \$550,000 at the Prime Rate as published in the Wall Street Journal less 0.1%. The line of credit is secured by all business assets of the Organization. The agreement does not have a maturity date but can be terminated at any time by either party. No balance was outstanding on this loan at December 31, 2023 and 2022.

NOTE 9 - NET ASSETS

Board designated net assets at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Board Designated:		
Operating Reserve	<u>\$ 2,556,698</u>	<u>\$ 2,556,698</u>

Net assets with donor restrictions at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Net Assets With Donor Restrictions:		
Purpose Restricted Donations	<u>\$ 1,379,036</u>	\$ 1,859,573
Endowment Funds - Investment Income	<u>351,565</u>	206,491
Endowment Funds - Perpetual	<u>532,842</u>	532,842
Total With Donor Restrictions	<u>\$ 2,263,443</u>	<u>\$ 2,598,906</u>

Net assets with donor restrictions of \$4,217,618 and \$2,839,250 were released during the years ended December 31, 2023, and 2022 due to satisfaction of program restrictions.

NOTE 10 - LEASE COMMITMENTS

The Organization leases its principal office. This lease requires monthly lease payment plus operating expense allocations as defined by the lease. The lease expires in February 2024.

In October 2023 the Organization signed a new lease agreement for a different space that will become the Organization's new principal office. The lease agreement has an anticipated commencement date of March 1, 2024 and matures 94 months after the commencement date with the option to extend at least 5 years up to 15 years. The exercise of this renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities.

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation. The lease agreements do not include any material residual value guarantees or restrictive covenants.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - LEASE COMMITMENTS (Continued)

The Organization's lease arrangements may contain both lease and non-lease components. The Organization has elected to combine and account for lease and non-lease components as a single lease component for its leases.

The components of lease expense that are included in Facilities and Administration on Statement of Functional Expenses for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Amortization of Right of Use Asset	\$ 163,155	\$ 156,267
Interest Component - Operating Lease	4,493	11,381
Operating Expenses	<u>19,952</u>	<u>16,057</u>
	<u>\$ 187,600</u>	<u>\$ 183,705</u>

Operating lease right-of-use assets were \$1,182,865 and \$191,046 as of December 31, 2023 and 2022.

The maturities of operating lease liabilities as of December 31, 2023 are as follows:

Commitments:	
2024	\$ 30,600
2025	179,735
2026	185,181
2027	190,628
2028	196,074
Thereafter	<u>620,902</u>
Total Lease Payments	1,403,120
Less Interest	<u>(217,569)</u>
Present Value of Lease Obligation	<u>\$ 1,185,551</u>
Statement of Financial Position Presentation:	
Current Portion of Operating Lease Obligation	\$ 30,577
Non-Current Operating Lease Obligation	<u>1,154,974</u>
Present Value of Lease Obligation	<u>\$ 1,185,551</u>

The weighted average remaining lease term related to the Organization's operating lease liabilities as of December 31, 2023 and 2022 was 7.6 and 1.2 years.

The Organization has made an accounting policy to apply a risk-free rate as the discount rate used to measure lease liabilities and right-of-use assets at commencement of a lease. The risk-free rate related to the Organization's operating lease liabilities as of December 31, 2023, was 4.0%.

CHILDREN'S CANCER RESEARCH FUND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ALLOCATION OF JOINT COSTS

The Organization conducts an education program to achieve some of its programmatic goals by utilizing events and a direct mail campaign. These activities include joint activities that include fund raising. Costs of conducting the events and direct mail campaign were allocated as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Education and Awareness	\$ 3,408,100	\$ 4,428,600
Fundraising	1,513,300	1,540,600
Totals	<u>\$ 4,921,400</u>	<u>\$ 5,969,200</u>

NOTE 12 - RETIREMENT PLAN

The Organization has a 403(b) deferred compensation plan for all employees. Employees may elect to contribute a portion of their salaries up to IRS limitations. The Organization will match 100% of the employees' contribution up to 4% of the employees' compensation. Employer contributions of \$130,888 and \$121,515 were made for the years ending December 31, 2023, and 2022.

NOTE 13 - CONTRIBUTED NON-FINANCIAL ASSETS

The Organization records in-kind contributions at fair market value on the date of donation. In-kind contributions relate primarily to public service announcements (PSA's) aired on broadcast media space (television, print and social media) and included the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Educational Media Outreach - Television	\$ 6,586,607	\$ 8,584,037
Educational Media Outreach - Print Media	-	1,021,098
Educational Media Outreach - Social Media	213,181	380,159
Totals	<u>\$ 6,799,788</u>	<u>\$ 9,985,294</u>

Public Service Announcements (PSAs) are noncash donations made by various media outlets. Each time a media outlet airs a PSA message for free it is viewed as having made an in-kind donation to the Organization and each free airing results in a reportable transaction that must be valued. These PSA's create revenue and result in a corresponding program expense as the free airtime received is immediately used to air a message that furthers the educational mission of the Organization. With a typical PSA campaign receiving hundreds to thousands of free airings on various media across the country and at different times of day, it is important to calculate the value of each airing separately, because the fair market value of each airing can vary widely. The Organization utilizes organizations to track these airings and compare them to purchased advertising space for like markets and audience demographics as part of their valuation process. It does this in monthly marketing reports provided to the Organization and annual reports that pull together the value of in-kind donations for contributed services received during the course of their fiscal year.

All donated services and assets were utilized by the Organization's educational programs. There were no donor-imposed restrictions associated with the donated services and assets.