

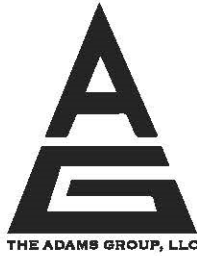
THE MORGAN ADAMS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
The Morgan Adams Foundation
Denver, Colorado

Opinion

We have audited the accompanying financial statements of The Morgan Adams Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements 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 The Morgan Adams Foundation as of December 31, 2021 and 2020, 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 The Morgan Adams Foundation 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 The Morgan Adams Foundation'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 The Morgan Adams Foundation'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 The Morgan Adams Foundation'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 Adams Group, LLC

August 2, 2022
Denver, Colorado

THE MORGAN ADAMS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

December 31,	2021	2020
<u>Assets</u>		
Cash and cash equivalents	\$ 270,413	\$ 116,895
Investments	222,693	147,847
Promises to give, net	58,303	36,483
Employee Retention Credit receivable	16,946	0
Inventory	4,393	0
Prepaid expenses	1,750	2,767
Property and equipment, net	<u>24,671</u>	<u>9,990</u>
Total Assets	<u>\$ 599,169</u>	<u>\$ 313,982</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 27,553	\$ 2,662
Accrued liabilities	23,304	24,593
Deferred revenue	13,700	0
Capital lease obligation	3,999	5,908
Total liabilities	<u>68,556</u>	<u>33,163</u>
<u>Net Assets</u>		
Without donor restriction		
Undesignated	223,109	79,278
Board designated	<u>174,522</u>	<u>99,681</u>
Total net assets without donor restriction	397,631	178,959
With donor restriction		
	<u>132,982</u>	<u>101,860</u>
Total net assets	<u>530,613</u>	<u>280,819</u>
Total Liabilities and Net Assets	<u>\$ 599,169</u>	<u>\$ 313,982</u>

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

THE MORGAN ADAMS FOUNDATION
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2021

	Without Donor Restriction	With Donor Restriction	Total
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 525,215	\$ 265,499	\$ 790,714
Special events, net of expenses of \$240,751	493,503	355,060	848,563
Investment income	14,070	5	14,075
PPP grant	95,497	0	95,497
Other	5,280	0	5,280
In-kind contributions	28,625	0	28,625
Net assets released from restrictions	589,442	(589,442)	0
	<u>1,751,632</u>	<u>31,122</u>	<u>1,782,754</u>
<u>Expenses</u>			
<u>Program services</u>			
Grants and awards	939,296		939,296
Outreach and education	249,712		249,712
Total program services	<u>1,189,008</u>		<u>1,189,008</u>
<u>Supporting services</u>			
Management and general	154,901		154,901
Fundraising	189,051		189,051
Total supporting services	<u>343,952</u>		<u>343,952</u>
Total expenses	<u>1,532,960</u>		<u>1,532,960</u>
Changes in net assets	218,672	31,122	249,794
Net assets, beginning of year	<u>178,959</u>	<u>101,860</u>	<u>280,819</u>
Net assets, end of year	<u>\$ 397,631</u>	<u>\$ 132,982</u>	<u>\$ 530,613</u>

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

THE MORGAN ADAMS FOUNDATION
STATEMENT OF ACTIVITIES

For the Year Ended December 31,

2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 533,298	\$ 150,217	\$ 683,515
Special events, net of expenses of \$116,589	695,983	0	695,983
Investment income	9,720	8,312	18,032
PPP grant	89,700	0	89,700
Other	3,080	0	3,080
Net assets released from restrictions	185,157	(185,157)	0
	<u>1,516,938</u>	<u>(26,628)</u>	<u>1,490,310</u>
 <u>Expenses</u>			
Program services			
Grants and awards	701,840		701,840
Outreach and education	287,830		287,830
Total program services	<u>989,670</u>		<u>989,670</u>
 Supporting services			
Management and general	146,790		146,790
Fundraising	224,582		224,582
Total supporting services	<u>371,372</u>		<u>371,372</u>
	<u>1,361,042</u>		<u>1,361,042</u>
Changes in net assets	155,896	(26,628)	129,268
Net assets, beginning of year	<u>23,063</u>	<u>128,488</u>	<u>151,551</u>
Net assets, end of year	<u>\$ 178,959</u>	<u>\$ 101,860</u>	<u>\$ 280,819</u>

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

THE MORGAN ADAMS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2021

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Grants and Awards</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 0	\$ 166,550	\$ 166,550	\$ 92,692	\$ 107,493	\$ 200,185	\$ 366,735
Payroll taxes	0	12,802	12,802	6,957	8,071	15,028	27,830
Other benefits	0	7,850	7,850	4,266	4,949	9,215	17,065
Total compensation	<u>0</u>	<u>187,202</u>	<u>187,202</u>	<u>103,915</u>	<u>120,513</u>	<u>224,428</u>	<u>411,630</u>
Grants and assistance	939,296	0	939,296	0	0	0	939,296
Advertising	0	1,518	1,518	825	957	1,782	3,300
Donor and volunteer cultivation	0	2,035	2,035	959	1,962	2,921	4,956
Professional fees	0	8,179	8,179	18,988	5,096	24,084	32,263
Travel, meetings and meals	0	689	689	224	1,288	1,512	2,201
Newsletter, printing, and copying	0	14,859	14,859	3,435	16,534	19,969	34,828
Insurance	0	5,580	5,580	3,033	3,518	6,551	12,131
Occupancy	0	11,680	11,680	6,348	12,346	18,694	30,374
Telephone	0	2,198	2,198	1,194	1,386	2,580	4,778
Postage and shipping	0	4,734	4,734	1,618	4,652	6,270	11,004
Office supplies and expenses	0	1,958	1,958	925	1,073	1,998	3,956
Miscellaneous expenses	0	52	52	9,210	72	9,282	9,334
IT related expenses	0	202	202	81	1,609	1,690	1,892
Dues and subscriptions	0	6,344	6,344	2,797	5,095	7,892	14,236
Other event expenses	0	0	0	0	11,385	11,385	11,385
Direct event expenses	0	0	0	780	239,971	240,751	240,751
Depreciation	0	2,482	2,482	1,349	1,565	2,914	5,396
Total expenses	<u>939,296</u>	<u>249,712</u>	<u>1,189,008</u>	<u>155,681</u>	<u>429,022</u>	<u>584,703</u>	<u>1,773,711</u>
Less: direct event expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>(780)</u>	<u>(239,971)</u>	<u>(240,751)</u>	<u>(240,751)</u>
Total expenses	<u>\$ 939,296</u>	<u>\$ 249,712</u>	<u>\$1,189,008</u>	<u>\$ 154,901</u>	<u>\$ 189,051</u>	<u>\$ 343,952</u>	<u>\$1,532,960</u>

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

THE MORGAN ADAMS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2020

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Grants and Awards</u>	<u>Outreach and Education</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 0	\$ 191,010	\$ 191,010	\$ 98,903	\$ 128,401	\$ 227,304	\$ 418,314
Payroll taxes	0	14,648	14,648	7,564	9,840	17,404	32,052
Other benefits	0	14,624	14,624	7,552	9,893	17,445	32,069
Total compensation	<u>0</u>	<u>220,282</u>	<u>220,282</u>	<u>114,019</u>	<u>148,134</u>	<u>262,153</u>	<u>482,435</u>
Grants and assistance	701,840	0	701,840	0	0	0	701,840
Advertising	0	603	603	312	405	717	1,320
Donor and volunteer cultivation	0	667	667	344	1,426	1,770	2,437
Professional fees	0	15,383	15,383	12,910	8,601	21,511	36,894
Travel, meetings and meals	0	2,258	2,258	157	1,724	1,881	4,139
Newsletter, printing, and copying	0	10,038	10,038	1,217	23,285	24,502	34,540
Insurance	0	5,125	5,125	2,647	3,443	6,090	11,215
Occupancy	0	12,752	12,752	6,585	12,459	19,044	31,796
Telephone	0	1,573	1,573	813	1,988	2,801	4,374
Postage and shipping	0	5,425	5,425	1,089	6,595	7,684	13,109
Office supplies and expenses	0	660	660	341	443	784	1,444
Miscellaneous expenses	0	4,316	4,316	2,124	2,924	5,048	9,364
IT related expenses	0	357	357	106	398	504	861
Dues and subscriptions	0	5,249	5,249	2,503	9,913	12,416	17,665
Other event expenses	0	0	0	0	733	733	733
Direct event expenses	0	1,656	1,656	19	114,914	114,933	116,589
Depreciation	0	3,142	3,142	1,623	2,111	3,734	6,876
Total expenses	<u>701,840</u>	<u>289,486</u>	<u>991,326</u>	<u>146,809</u>	<u>339,496</u>	<u>486,305</u>	<u>1,477,631</u>
Less: direct event expenses	<u>0</u>	<u>(1,656)</u>	<u>(1,656)</u>	<u>(19)</u>	<u>(114,914)</u>	<u>(114,933)</u>	<u>(116,589)</u>
Total expenses	<u>\$ 701,840</u>	<u>\$ 287,830</u>	<u>\$ 989,670</u>	<u>\$ 146,790</u>	<u>\$ 224,582</u>	<u>\$ 371,372</u>	<u>\$1,361,042</u>

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

THE MORGAN ADAMS FOUNDATION
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2021	2020
Cash flows from operating activities:		
Cash received from contributions	\$ 1,950,460	\$ 1,584,681
Other cash received	5,280	3,080
Interest paid	(155)	(212)
Interest and dividends received	49	2,172
Cash paid to employees and suppliers	(1,730,130)	(1,496,344)
Net cash provided by operating activities	225,504	93,377
Cash flows from investing activities:		
Purchase of investments	(50,000)	(57,495)
Purchase of property and equipment	(20,077)	(1,229)
Net cash used by investing activities	(70,077)	(58,724)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(1,909)	(1,851)
Net increase in cash and cash equivalents	153,518	32,802
Cash and cash equivalents at beginning of year	116,895	84,093
Cash and cash equivalents at end of year	\$ 270,413	\$ 116,895
Noncash transactions		
In-kind donations	\$ 28,625	\$ 43,271

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

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Morgan Adams Foundation, (the "Foundation"), was formed as a nonprofit organization and incorporated in the State of Colorado on August 20, 2003. The Foundation was created for the sole purpose of funding critically needed pediatric oncology research which investigates more accurate, targeted and less toxic treatment options for childhood, adolescent, and young adult cancers. Pediatric oncology researchers submit requests to the Foundation and the Foundation specifies grants awarded. The majority of the Foundation's revenue is primarily derived from special event fundraising and contributions.

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) and accordingly, reflect all significant receivables, payables, and other liabilities.

Classes of Net Assets

The financial statements report amounts separately by classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable State law.

Contributions and Promises to Give

Contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Foundation. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not recognized as support until the conditions are substantially met. The Foundation uses the allowance method to record uncollectible pledges. The allowance is estimated based on prior years' experience and management's analysis of specific pledges. See Note 3.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services

Contributions of goods and services are recorded at their estimated fair value. Contributed services are only recorded if the services create or enhance a nonfinancial asset or require specialized skills that the Foundation would need to otherwise purchase. Many individuals volunteer their time to perform a variety of tasks, however no amounts are reflected in the accompanying financial statements as the volunteer time does not meet the criteria for recognition under generally accepted accounting principles. During the years ended December 31, 2021 and 2020, the Foundation recognized donated goods and services of \$28,625 and \$43,271 which is primarily comprised of food and beverages for special events and donated stock.

Special Events

Proceeds for special events are recognized as revenue on the date(s) events take place. Proceeds received in advance of events are recorded as deferred revenue. Deferred revenue recorded at year-end is generally recognized as revenue in the subsequent year.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may exceed federally insured limits. The Foundation places its cash with creditworthy, high quality financial institutions.

Inventory

Inventory is recorded at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are stated at cost, or fair value if contributed. The Foundation follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from 1 to 7 years.

Investments

Investments in marketable securities with readily determinable market values are reported at fair value in the statement of financial position based upon quoted prices in active markets. Net investment income consists of interest, dividends, realized and unrealized gains and losses generated from the Foundation's investments.

Program Grants

Program grants awarded by the Foundation are recorded as expenses and liabilities upon approval by the Foundation's Board of Directors.

Reclassifications

Certain reclassifications were made to prior year in order to conform with current year presentation.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited on several bases and estimates. Salaries, benefits, and occupancy costs are allocated based on time and effort. Although the methods used of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Tax Status

The Foundation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and accordingly, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Therefore, no provision for federal income tax is recorded in the accompanying financial statements. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation did not have unrelated business income subject to tax during the year ended December 31, 2021. The Foundation's ending open audit periods are December 31, 2018 and thereafter.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Foundation expenses advertising costs as incurred. Advertising expenses were \$3,300 and \$1,320 for the years ended December 31, 2021 and 2020.

Recently Adopted Accounting Pronouncement

During 2020, the Foundation adopted, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers Topic 606*, which requires the recognition of revenue when the promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services, using the full retrospective approach. The Foundation also adopted ASU No. 2018-08 *Not-for-Profit Entities Topic 958: Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which clarifies accounting guidance for contributions. The Foundation's revenue recognition practices were substantially unchanged as a result of adopting these ASUs.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including August 2, 2022, which is the date the financial statements were available to be issued.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Foundation's financial assets available for general expenditure within one year from December 31, 2021:

Cash and cash equivalents	\$ 270,413
Investments	222,693
Promises to give, net	58,303
Employee Retention Credit receivable	16,946
Less: donor restricted net assets	(152,982)
Less: board designated net assets	<u>(174,522)</u>
Available for general expenditure	<u><u>\$ 240,851</u></u>

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and building and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation's Operating Reserve policy has a target minimum of \$200,000 which approximates three to five months of recurring operating costs. The Foundation's goal is to fund this reserve by January 1, 2023. As of December 31, 2021, the balance in this reserve is \$174,522 and is presented as Board designated net assets in the accompanying statement of financial position.

NOTE 3 - PROMISES TO GIVE

Promises to give consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Promises to give	\$ 59,303	\$ 37,483
Less: Allowance for doubtful accounts	<u>(1,000)</u>	<u>(1,000)</u>
Promises to give, net	<u>\$ 58,303</u>	<u>\$ 36,483</u>
Due in one year	\$ 58,303	\$ 31,483
Due in one to five years	<u>0</u>	<u>5,000</u>
Total	<u><u>\$ 58,303</u></u>	<u><u>\$ 36,483</u></u>

No present value discount has been applied to long-term promises to give because management believes it is not significant to the financial statements.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 16,086	\$ 16,086
Furniture and equipment	27,550	30,702
Database design and implementation	19,212	19,212
Vehicles	8,729	8,729
Website design	16,420	13,420
Construction in progress	17,078	0
	<u>105,075</u>	<u>88,149</u>
Less: Accumulated depreciation	<u>(80,404)</u>	<u>(78,159)</u>
Property and equipment, net	<u>\$ 24,671</u>	<u>\$ 9,990</u>

Depreciation expense was \$5,396 and \$6,876 for the years ended December 31, 2021 and 2020.

NOTE 5 - INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 156,992	\$ 106,713
Equities	<u>65,701</u>	<u>41,134</u>
Total investments	<u>\$ 222,693</u>	<u>\$ 147,847</u>

The fair value of investments is determined using quoted prices available in active market for identical investments as of December 31, 2021 and 2020.

NOTE 6 - AMOUNTS HELD ON BEHALF OF OTHERS

The fiduciary agent for the Colorado Kids Cancer Association (CKCA), the Colorado Cancer Coalition, planned to dissolve and relinquish its 501(c)(3) status. The Foundation is a charter member of CKCA and agreed to receive and hold the CKCA funds until its Board could develop a long-term solution.

THE MORGAN ADAMS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION

During the year ended December 31, net assets with donor restrictions were released for the following purposes:

	<u>2021</u>	<u>2020</u>
Passage of time	\$ 32,888	\$ 52,437
Pediatric cancer research	486,658	30,906
Family support	36,596	20,464
RNA sequencing research	<u>33,300</u>	<u>81,350</u>
Total released from donor restrictions	<u>\$ 589,442</u>	<u>\$ 185,157</u>

At December 31, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 61,206	\$ 32,888
Purpose restricted - family support	23,605	20,806
Purpose restricted - endowment	<u>48,171</u>	<u>48,166</u>
Total donor restricted net assets	<u>\$ 132,982</u>	<u>\$ 101,860</u>

At December 31, the donor restricted endowment consisted of the following:

	<u>2021</u>	<u>2020</u>
Corpus to be maintained in perpetuity	\$ 35,553	\$ 35,553
Accumulated investment earnings	<u>12,618</u>	<u>12,613</u>
Total donor restricted endowment	<u>\$ 48,171</u>	<u>\$ 48,166</u>

NOTE 8 - ENDOWMENT

The endowment fund was created at the end of 2013 through donations in memory of the Foundation's co-founder, Steven Adams. The endowment fund assets are subject to donor restrictions requiring that the principal be invested in perpetuity and only the income may be used to provide a consistent funding source for the operating and capital expenses of the Foundation.

Endowment Accounting/UPMIFA

The donor-restricted endowment fund is subject to the State Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Foundation has interpreted UPMIFA as allowing the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument.

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NOTE 8 - ENDOWMENT (CONTINUED)

Although UPMIFA does not preclude the Foundation from spending below the original gift value of donor-restricted endowments, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor's direction expressed in the gift instrument.

The unappropriated investment earnings on donor-restricted endowments are classified as net assets with donor restrictions until the funds are released, that is, used in accordance with their donor-restricted purpose.

In accordance with UPMIFA, the Foundation 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 purposes of the Foundation and the donor restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other Foundation resources
7. The investment policies of the Foundation

Following are the changes in the donor-restricted endowment fund for the years ended December 31, 2021 and 2020:

Endowment net assets at December 31, 2019	\$ 39,854
Investment return	<u>8,312</u>
Endowment net assets at December 31, 2020	48,166
Investment return	<u>5</u>
Endowment net assets at December 31, 2021	<u><u>\$ 48,171</u></u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. On December 31, 2021, there were no such deficiencies.

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NOTE 8 - ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves, and fit within the Foundation's preference of acceptable principal and interest risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy allows for appropriating an amount limited to the previous year's income measured at December 31 of each year once the endowment corpus reaches \$1,000,000. In establishing the spending policy, the Foundation considered the long-term expected return on its endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow, net of spending, at the rate of inflation or greater over the investment horizon thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Capital Lease

The Foundation entered into a capital lease arrangement for a copier during 2018. The lease requires monthly payments of \$172 for 60 months with the final payment due December 2023. At December 31, 2021, the asset carries a capitalized cost of \$9,555 with accumulated depreciation of \$5,733.

Future minimum lease payments due under the capital lease obligation and the net present value of those payments at December 31, 2021 are as follows:

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NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital Lease (Continued)

2022	\$	2,064
2023		2,064
		<hr/> 4,128
Less: amount representing interest		<hr/> (129)
Present value of minimum lease payments		3,999
Less: current portion		<hr/> (1,909)
		<hr/> <hr/> \$ 2,090
Long-term portion		

Operating Lease

On January 1, 2020, the Foundation signed a noncancelable 36-month lease through December 31, 2022 for office space with monthly rent of \$2,515.

Future minimum lease payments are as follows:

2022	\$	30,180
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Total rent expense for the years ended December 31, 2021 and 2020 was \$23,910 and \$25,409. The Foundation subleases a portion of the office under a short-term lease agreement. Sublease income was \$5,280 and \$3,080 for the years ended December 31, 2021 and 2020 and included in other income in the accompanying statement of activities.

Employee Retention Credit

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 allows certain eligible employers to take advantage of an employer retention credit (ERC) for those who chose to keep their employees on payroll despite the challenges posed by COVID-19. Employers can claim a refundable tax credit against a portion of qualified wages. The Foundation applied for \$16,946 related to the ERC based on eligible payroll costs, which was received in March 2022. The ERC is included in receivables and contributions as of and for the year ended December 31, 2021.

Global COVID-19 Pandemic

The 2020 outbreak of COVID-19 has been declared a pandemic and has spread to multiple global regions. The impact of this pandemic has been extensive in many aspects of society, which has resulted in significant disruptions to the global economy. In an effort to halt the outbreak of COVID-19, many governments around the world have encouraged or required that people only leave their home for essential tasks and many businesses have announced closures. This may have a negative impact on the Foundation, the magnitude and duration of which is uncertain.

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NOTE 10 - RELATED PARTY TRANSACTIONS

During 2021 and 2020, a relative of the Executive Director was employed as a full-time employee. For the years ended December 31, 2021 and 2020, this individual was paid approximately \$76,000 and \$62,000.

NOTE 11 - PAYCHECK PROTECTION PROGRAM

During 2020, the Foundation received \$89,700 pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. PPP provides loans to qualifying businesses to cover payroll and certain other expenses. The loans and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. In January 2021, the Foundation was notified that the PPP loan was forgiven in full and was therefore recognized as revenue for the year ended December 31, 2020.

The PPP program was extended to allow certain eligible borrowers that previously received a PPP loan to apply for a second draw with the same general loan terms. In February 2021, the Foundation received a second PPP loan for \$95,497. The Foundation was notified that the second draw on the PPP loan was forgiven in full and was therefore recognized as revenue for the year ended December 31, 2021.