

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2019**

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The National Children's Cancer Society, Inc.  
St. Louis, Missouri

We have audited the accompanying financial statements of The National Children's Cancer Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
The National Children's Cancer Society, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of The National Children's Cancer Society, Inc., as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Louis, Missouri  
January 13, 2020

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 424,640
Accounts Receivable, Net	312,927
Inventory	16,755
Prepaid Expenses and Other Assets	33,631
Total Current Assets	<u>787,953</u>

**NONCURRENT ASSETS**

Investments	4,233,069
Property and Equipment, Net	13,427
Total Noncurrent Assets	<u>4,246,496</u>

Total Assets	<u><u>\$ 5,034,449</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 1,794,426
Annuities Payable	12,706
Accrued Expenses	201,891
Unearned Revenue	7,034
Line of Credit	220,120
Total Current Liabilities	<u>2,236,177</u>

**LONG-TERM LIABILITIES**

Annuities Payable	66,175
Total Long-Term Liabilities	<u>66,175</u>

**NET ASSETS**

Without Donor Restrictions	2,122,027
With Donor Restrictions	610,070
Total Net Assets	<u>2,732,097</u>

Total Liabilities and Net Assets	<u><u>\$ 5,034,449</u></u>
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See accompanying Notes to Financial Statements.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$ 7,860,574	\$ -	\$ 7,860,574
List Rental Income	132,780	-	132,780
Event Revenue	395,303	-	395,303
Less Direct Costs of Events	(175,483)	-	(175,483)
In-Kind Contributions	40,135,882	-	40,135,882
Investment Income	219,166	(1,546)	217,620
Net Assets Released from Restrictions -			
Satisfaction of Program Restrictions	22,710	(22,710)	-
Total Public Support and Revenue	48,590,932	(24,256)	48,566,676
<b>EXPENSES</b>			
Program Services:			
Division of Patient and Family Services	42,774,448	-	42,774,448
Supplemental Family Support	1,339,441	-	1,339,441
Public Information and Education	347,430	-	347,430
Total Program Services	44,461,319	-	44,461,319
Supporting Services:			
Management and General	819,110	-	819,110
Fundraising	4,106,851	-	4,106,851
Total Supporting Services	4,925,961	-	4,925,961
Total Expenses	49,387,280	-	49,387,280
<b>OTHER EXPENSE</b>			
Change in Value of Annuities	13,565	-	13,565
<b>NET CHANGE IN NET ASSETS</b>	(809,913)	(24,256)	(834,169)
Net Assets - Beginning of Year	2,931,940	634,326	3,566,266
<b>NET ASSETS - END OF YEAR</b>	\$ 2,122,027	\$ 610,070	\$ 2,732,097

See accompanying Notes to Financial Statements.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Program Services			Supporting Services		Total
	Division of Patient and Family Services	Supplemental Family Support	Public Information and Education	Management and General	Fundraising	
Aid Grants	\$ 40,135,886	\$ 1,189,760	\$ -	\$ -	\$ -	\$ 41,325,646
Production Services	-	-	-	511,867	3,348,025	3,859,892
Family Services and Education	1,608,907	490	1,137	-	-	1,610,534
Salary Expense	519,234	87,144	202,248	178,887	222,822	1,210,335
Cause Related Marketing	-	-	-	-	377,355	377,355
Insurance	105,900	17,773	41,249	36,485	45,445	246,852
Professional Services	90,394	15,171	35,210	31,143	38,792	210,710
Direct Costs of Events	-	-	-	-	175,483	175,483
In-Kind Program Shipping	139,336	-	-	-	-	139,336
Rent and Utilities	54,023	9,067	21,042	18,612	23,183	125,927
Other Expenses	37,638	6,317	14,660	12,967	16,152	87,734
Payroll Taxes	36,681	6,156	14,288	12,637	15,741	85,503
Retirement	20,115	3,376	7,835	6,930	8,632	46,888
Telephone	6,350	1,066	2,474	2,187	2,726	14,803
Postage, Shipping, and Handling	4,910	824	1,913	1,692	2,107	11,446
Office Supplies and Services	3,613	607	1,408	2,251	1,551	9,430
Meetings and Travel	3,525	591	1,373	1,214	1,512	8,215
Equipment Rental	3,400	571	1,325	1,172	1,459	7,927
Depreciation Expense	2,937	493	1,144	1,013	1,261	6,848
Shipping and Procurement	1,546	-	-	-	-	1,546
Public Relations	53	35	124	53	88	353
Total	<u>42,774,448</u>	<u>1,339,441</u>	<u>347,430</u>	<u>819,110</u>	<u>4,282,334</u>	<u>49,562,763</u>
Less: Direct Costs of Events	-	-	-	-	(175,483)	(175,483)
Total Expenses	<u>\$ 42,774,448</u>	<u>\$ 1,339,441</u>	<u>\$ 347,430</u>	<u>\$ 819,110</u>	<u>\$ 4,106,851</u>	<u>\$ 49,387,280</u>

See accompanying Notes to Financial Statements.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net Change in Net Assets	\$ (834,169)
Adjustments to Reconcile Net Change in Net Assets to	
Net Cash Provided (Used) by Operating Activities	
Depreciation	6,848
Change in Value of Annuities	13,565
Unrealized Loss on Investments	105,702
Realized Gain on Investments	(193,438)
Decrease in:	
Accounts Receivable	13,832
Inventory	5,048
Prepaid Expenses and Other Assets	2,419
Increase (Decrease) in:	
Accounts Payable	(275,356)
Annuity Payable	20,346
Accrued Expenses	(1,642)
Unearned Revenue	(3,436)
Net Cash Used by Operating Activities	<u>(1,140,281)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of Property and Equipment	(11,518)
Proceeds from Sale of Investments	1,956,334
Purchases of Investments	<u>(1,334,052)</u>
Net Cash Provided by Investing Activities	610,764
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net Proceeds on Line of Credit	<u>200,298</u>
Net Cash Provided by Financing Activities	<u>200,298</u>
<b>NET CHANGE IN CASH</b>	(329,219)
Cash - Beginning of Year	<u>753,859</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 424,640</u></u>

See accompanying Notes to Financial Statements.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The National Children's Cancer Society, Inc. (the Organization) was incorporated in November 1987 to serve children with cancer and their families. Program services are categorized as follows: Division of Patient and Family Services, Supplemental Family Support and Public Information and Education. The Organization provides a Family Support Program, Transportation Assistance Fund, and Emergency Assistance Fund for families with children in treatment, a Beyond the Cure Program for cancer survivors, and a Global Outreach Program.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the FASB. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of September 30, 2019 the Organization had \$610,070 in net assets with donor restrictions.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Concentration of Credit Risk**

The majority of the Organization's cash and cash equivalents are maintained at three banks. The bank provides a maximum protection under regulations issued by the Federal Deposit Insurance Corporation. At September 30, 2019 deposits at the bank in excess of federally insured limits were \$88,071.

**Cash and Cash Equivalents**

Cash includes demand deposits and highly liquid financial instruments purchased with original maturities of three months or less. The carrying amount of cash equivalents approximates fair value.

Certain cash balances are required to be held in separate bank accounts in accordance with contractual arrangements.

**Accounts Receivable**

Receivables consist of amounts due to the Organization related to the direct mail, telemarketing, and royalty programs. Management writes off receivables when it determines that an amount will not be collected and considers all receivables at September 30, 2019 to be collectible. Therefore, no allowance for doubtful accounts is recorded at September 30, 2019. All receivables are considered current at September 30, 2019; therefore, no discount has been recorded.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Investments**

In accordance with accounting standards, investments in marketable securities with readily determinable fair values are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

**Inventory**

Inventory consists of program literature and patient and family service items and is stated at cost, determined on the first-in, first out method.

**Property and Equipment**

Furniture and equipment is recorded at cost. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$500 are reviewed individually by management and are capitalized.

Donations of furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restricted support unless the donor has restricted the donated asset to a specific purpose.

Depreciation and amortization are provided on a straight-line basis over the following periods:

Furniture and Fixtures	7 Years
Equipment	3 to 7 Years
Software	3 Years
Leasehold Improvements	7 Years

**Compensated Absences**

Employees of the Organization are entitled to paid vacation days depending on length of service. Amounts accrued for compensated absences are included in accounts payable and accrued expenses in the accompanying statement of financial position.

**Contributions**

In accordance with accounting standards, contributions received by the Organization are recorded as with donor restriction or without donor restriction support, depending on the existence and nature of any donor restrictions. When a 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year the contributions are recognized.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Annuities Payable**

Annuities payable represents an annuity obligation for gift annuities received by the Organization. Gift annuities provide for payment to named annuitants over their lifetimes. The payment is guaranteed by the Organization through an agreement. An annuities payable liability is recorded until the projected termination of the annuity payment obligation based upon the present value of the expected payments over the life expectancy of the annuitants. The current annuity values are valued at fair value. The Organization reviews AFR in determining the discount rate to apply for the present value calculation. A discount rate of 2.2% was applied to determine the liability at September 30, 2019. Fair value at September 30, 2019 is \$166,446, while the recorded liability is \$78,881.

**Unearned Revenue**

Unearned revenue consists of payments received in advance that relate to donated items to be sold by a third party in a future period and are deferred and recognized as revenue in the period earned.

**Use of Estimates**

The preparation of the 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 support, revenues, and expenses during the reporting period, including grant and contract revenues subject to review by applicable funding agencies. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements**

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Fair Value Measurements (Continued)**

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Organization has the ability to access as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds, certain mutual funds, and equities. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. These Level 2 securities include mortgaged and asset-backed securities, corporate and municipal bonds, U.S. government agencies, hedge funds and managed futures. Inputs used to value Level 2 securities include interest rates for similar debt securities, Treasury obligations with similar maturities and net asset values provided by funds is utilized as a practical expedient. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include hedge funds. The net asset value (or its equivalent) provided by the fund is utilized, as a practical expedient, to determine fair value of these Level 3 investments. The funds are classified as Level 3 if they may not be redeemable in the short-term.

Any transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

**Development Costs**

The Organization periodically incurs substantial costs for the continued development of a contributor list. In accordance with accounting principles generally accepted in the United States of America, the Organization recognizes these costs as they are incurred against operations, even though the contributor lists are expected to provide significant benefit to future periods.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Functional Expense Allocations**

The costs of providing various program and other activities of the Organization have been summarized on a functional basis in the statement of functional expenses. Expenses are charged to program services, fundraising or management and general based on actual costs incurred by the program or supportive service, as well as on management's best estimate of time spent in the functional expense categories. Management and general expenses include those expenses that are not directly identifiable with any other specific section but provide for the overall support and direction of the Organization.

**Tax Status**

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is liable for federal income taxes on certain unrelated business income.

Management analyzed the tax positions taken by the Organization and concluded that, as of September 30, 2019, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements if Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 13, 2020, the date the financial statements were available to be issued.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, this is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

Cash and Cash Equivalents	\$ 424,640
Accounts Receivable	312,927
Investments	<u>4,233,069</u>
Total Current Financial Assets	4,970,636
Less: Net Assets With Donor Restrictions Relating to Current Financial Assets	<u>(610,070)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 4,360,566</u></u>

The Organization receives significant contributions without donor restrictions, and are considered for programs which are ongoing, major, and central to its annual operations. Contributions without donor restrictions are to be available to meet cash needs for general expenditures, which include administrative and general expenses, fund raising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

**NOTE 3 INVESTMENTS**

Investments consist of the following at September 30, 2019:

Government and Agency Securities	\$ 548,698
Equity Securities	2,853,561
Mutual Funds	<u>830,810</u>
Total Investments	<u><u>\$ 4,233,069</u></u>

Investment return for the year ended September 30, 2019 is summarized as follows:

Interest and Dividend Income	\$ 129,884
Unrealized Loss on Equity Securities	(105,702)
Realized Gain on Sale of Investments	<u>193,438</u>
Total Investment Gain	<u><u>\$ 217,620</u></u>

**NOTE 4 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 1 – Organization and Summary of Significant Accounting Policies.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30, 2019:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Government and Agency Bonds	\$ 548,698	\$ -	\$ 548,698	\$ -
Equity Securities	2,853,561	2,853,561	-	-
Mutual Funds	830,810	830,810	-	-
Total	<u>\$ 4,233,069</u>	<u>\$ 3,684,371</u>	<u>\$ 548,698</u>	<u>\$ -</u>

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at September 30, 2019 consist of:

Purpose Restriction For Cancer Treatment in Minnesota \$ 610,070

Assets released from restrictions for the year ended September 30, 2019 are as follows:

Satisfaction of Purpose Restriction \$ 22,710

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30, 2019:

Furniture and Fixtures	\$ 17,878
Equipment	45,868
Software	304,611
Leasehold Improvements	<u>6,800</u>
Total	375,157
Less: Accumulated Depreciation	<u>(361,730)</u>
Property and Equipment	<u>\$ 13,427</u>

Depreciation expense was \$6,848 for the year ended September 30, 2019.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 7 ALLOCATION OF JOINT COSTS**

The Organization combines the costs of its joint activities that combine fundraising appeals with other functions, and allocates those costs to their functional classifications. Such costs include printing, caging, donor search, public information, computer expenses, list development, direct mail expense, postage, and production fees. The physical units method is used to allocate these costs. This allocation process is based on lines of print from the documents and scripts used in the joint activities. Each line of print is analyzed and a determination is made as to its purpose. The number of lines for each objective is totaled and weighed against the total number of lines in the document as well as the frequency of use of the document.

The Organization's total joint costs incurred and functional classifications are as follows:

Functional Classification:	
Program Services	\$ 1,610,534
Management and General	511,867
Fundraising	<u>3,348,025</u>
Total Joint Costs	<u><u>\$ 5,470,426</u></u>
Type of Activity:	
Direct Mail	\$ 5,027,464
Telemarketing	<u>442,962</u>
Total Joint Costs	<u><u>\$ 5,470,426</u></u>

The Organization follows standards for accounting and reporting costs of joint activities that combine fundraising appeals with other functions including definitions for the criteria of purpose, audience, and content. In accordance with the standard, the compensation structure of the joint activity is considered, as well as the target audience of the activity and the content of the information conveyed. If any of the criteria of purpose, audience, and content is not met, all costs of the joint activity are considered fundraising.

**NOTE 8 OPERATING LEASES**

The Organization leases office space, office equipment, and a vehicle under operating leases. The Organization's office lease has escalating lease payments ranging from \$8,916 to \$9,521 per month over the remaining term of the lease expiring April 30, 2021.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 OPERATING LEASES (CONTINUED)**

The future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2019 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 129,416
2021	83,927
2022	9,861
2023	3,800
Total	<u>\$ 227,004</u>

Total rental expense under operating leases with a term in excess of one month was \$126,246 for the year ended September 30, 2019.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

At September 30, 2019, the Organization is committed to several contracts for fundraising and program services, which are scheduled to expire on various dates through December 2018. Payments under these contracts are to be made by the Organization based on hourly rates with certain minimum performance guarantees. These contracts are a principal funding source of the Organization.

**NOTE 10 RETIREMENT PLAN**

The Organization has a defined contribution retirement plan covering substantially all of its employees. Contributions to the plan and related expenses were \$46,888 for the year ended September 30, 2019.

**NOTE 11 AID GRANTS**

The Organization receives and disburses both cash and in-kind grants to individuals and organizations. During the year ended September 30, 2019, the Organization recognized and disbursed \$40,135,886 of in-kind contributions, consisting primarily of pharmaceuticals and medical supplies. The grants were recorded at their estimated fair value in the financial statements based on valuations provided by the donors, primarily manufacturers or distributors, and comparison with other industry sources.

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 12 RISKS AND UNCERTAINTIES**

The Organization's assets include investments in various securities which, in general, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term would materially affect the amounts reported in the balance sheet and the statement of activities.

**NOTE 13 LINE OF CREDIT**

The Organization has a Loan Management Account Agreement with a bank which allows the Organization to borrow under a revolving line of credit arrangement. Available credit is subject to borrowing base limitations determined by the bank based upon the market value of pledged securities. Advances under the agreement can be made under variable rate, fixed rate and term advances agreed upon at the time of the advance. Advances are due upon demand. Investments held by Merrill Lynch are pledged as collateral. Available credit under the agreement at September 30, 2019 was \$2,315,531. At September 30, 2019, borrowings under the agreement were \$220,120, all in principal. The balance is subject to interest at a variable rate of LIBOR plus the spread. The interest rate as of September 30, 2019 is 4.28%.

Cash paid for interest on the line of credit was \$4,963 for the year ended September 30, 2019.

**NOTE 14 RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2019, the Organization received \$51,706 in contributions from various members of the board of directors (Directors). In addition, during the year ended September 30, 2019, the Organization received \$67,000 from companies in which Directors serve as a director or officer. The Organization also received \$450 in In-Kind gifts from various board members of the board of directors during the year ended September 30, 2019. At September 30, 2019, there were no receivables from related parties.

One of the asset custodians is a financial institution for which a member of the board of the National Children's Cancer Society is an officer. The amount paid to the asset custodian during the year ended September 30, 2019 totaled \$48,591. The board member was not directly compensated for services provided.