

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
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YEAR ENDED SEPTEMBER 30, 2020**

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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, 2020, 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, 2020, 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
December 22, 2020

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 342,329
Accounts Receivable, Net	252,174
Inventory	22,769
Prepaid Expenses and Other Assets	33,251
Total Current Assets	650,523

NONCURRENT ASSETS

Investments	4,458,356
Property and Equipment, Net	4,925
Total Noncurrent Assets	4,463,281

Total Assets	\$ 5,113,804
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 1,440,804
Annuities Payable	14,971
Payroll Protection Program Loan	295,130
Accrued Expenses	194,246
Unearned Revenue	6,434
Line of Credit	252,627
Total Current Liabilities	2,204,212

LONG-TERM LIABILITIES

Annuities Payable	81,032
Total Long-Term Liabilities	81,032

NET ASSETS

Without Donor Restrictions	2,220,079
With Donor Restrictions	608,481
Total Net Assets	2,828,560

Total Liabilities and Net Assets	\$ 5,113,804
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THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 7,589,691	\$ -	\$ 7,589,691
List Rental Income	85,920	-	85,920
Event Revenue	419,913	-	419,913
Less Direct Costs of Events	(162,495)	-	(162,495)
In-Kind Contributions	23,566,723	-	23,566,723
Investment Income	311,135	8,101	319,236
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	9,690	(9,690)	-
Total Public Support and Revenue	31,820,577	(1,589)	31,818,988
EXPENSES			
Program Services:			
Division of Patient and Family Services	25,874,352	-	25,874,352
Supplemental Family Support	1,198,779	-	1,198,779
Public Information and Education	329,635	-	329,635
Total Program Services	27,402,766	-	27,402,766
Supporting Services:			
Management and General	796,602	-	796,602
Fundraising	3,509,083	-	3,509,083
Total Supporting Services	4,305,685	-	4,305,685
Total Expenses	31,708,451	-	31,708,451
OTHER EXPENSE			
Change in Value of Annuities	14,074	-	14,074
NET CHANGE IN NET ASSETS	98,052	(1,589)	96,463
Net Assets - Beginning of Year	2,122,027	610,070	2,732,097
NET ASSETS - END OF YEAR	\$ 2,220,079	\$ 608,481	\$ 2,828,560

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Supporting Services		Total
	Division of Patient and Family Services	Supplemental Family Support	Public Information and Education	Management and General	Fundraising	
Aid Grants	\$ 23,566,723	\$ 1,061,261	\$ -	\$ -	\$ -	\$ 24,627,984
Production Services	-	-	-	470,429	3,041,232	3,511,661
Family Services and Education	1,352,966	978	2,345	-	-	1,356,289
Salary Expense	485,053	78,875	189,067	187,081	228,446	1,168,522
Insurance	92,078	14,973	35,891	35,513	43,366	221,821
Professional Services	88,344	14,366	34,436	34,074	41,608	212,828
Direct Costs of Events	-	-	-	-	162,495	162,495
Rent and Utilities	51,341	8,349	20,011	19,802	24,180	123,683
In-Kind Program Shipping	113,909	-	-	-	-	113,909
Other Expenses	40,850	6,642	15,921	15,754	19,237	98,404
Payroll Taxes	34,950	5,683	13,623	13,480	16,461	84,197
Cause Related Marketing	-	-	-	-	72,391	72,391
Retirement	21,765	3,539	8,484	8,395	10,251	52,434
Telephone	7,535	1,225	2,937	2,905	3,549	18,151
Postage, Shipping, and Handling	4,450	724	1,735	1,716	2,096	10,721
Office Supplies and Services	3,219	524	1,255	3,562	1,516	10,076
Depreciation Expense	3,820	621	1,489	1,474	1,799	9,203
Meetings and Travel	3,239	527	1,261	1,249	1,525	7,801
Equipment Rental	3,028	492	1,180	1,168	1,426	7,294
Shipping and Procurement	1,082	-	-	-	-	1,082
Total	<u>25,874,352</u>	<u>1,198,779</u>	<u>329,635</u>	<u>796,602</u>	<u>3,671,578</u>	<u>31,870,946</u>
Less: Direct Costs of Events	-	-	-	-	(162,495)	(162,495)
Total Expenses	<u>\$ 25,874,352</u>	<u>\$ 1,198,779</u>	<u>\$ 329,635</u>	<u>\$ 796,602</u>	<u>\$ 3,509,083</u>	<u>\$ 31,708,451</u>

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net Change in Net Assets	\$ 96,463
Adjustments to Reconcile Net Change in Net Assets to	
Net Cash Used by Operating Activities	
Depreciation	9,203
Change in Value of Annuities	14,074
Unrealized Gain on Investments	(108,648)
Realized Gain on Investments	(99,356)
(Increase) Decrease in:	
Accounts Receivable	60,753
Inventory	(6,014)
Prepaid Expenses and Other Assets	380
Increase (Decrease) in:	
Accounts Payable	(353,622)
Annuity Payable	3,048
Accrued Expenses	(7,645)
Unearned Revenue	(600)
Net Cash Used by Operating Activities	(391,964)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(701)
Proceeds from Sale of Investments	2,896,999
Purchases of Investments	(2,914,282)
Net Cash Used by Investing Activities	(17,984)

CASH FLOWS FROM FINANCING ACTIVITIES

Net Proceeds on Line of Credit	32,507
Proceeds on Notes Payable	295,130
Net Cash Provided by Financing Activities	327,637

NET CHANGE IN CASH

(82,311)

Cash - Beginning of Year

424,640

CASH - END OF YEAR

\$ 342,329

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 Financial Accounting Standards Board (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, 2020, the Organization had \$608,481 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 (U.S. GAAP).

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, 2020, no deposits at the bank were in excess of federally insured limits.

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, 2020 to be collectible. Therefore, no allowance for doubtful accounts is recorded at September 30, 2020. All receivables are considered current at September 30, 2020; therefore, no discount has been recorded.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

**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, 2020

**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 0.4% was applied to determine the liability at September 30, 2020. Fair value at September 30, 2020 is \$194,427, while the recorded liability is \$96,003.

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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, 2020

**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 U.S. GAAP, 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, 2020

**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, 2020, 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

June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this ASU on October 1, 2019, with no changes resulting.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 22, 2020, the date the financial statements were available to be issued.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020:

Cash and Cash Equivalents	\$ 342,329
Accounts Receivable	252,174
Investments	<u>4,458,356</u>
Total Current Financial Assets	5,052,859
Less: Net Assets With Donor Restrictions Relating to Current Financial Assets	<u>(608,481)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 4,444,378</u></u>

The Organization classifies investments as noncurrent assets due to the intended purpose of holding them long-term but could be used as a source of current liquidity. 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. The Organization also has a line of credit with available credit of \$2,723,439 that could be used if needed.

NOTE 3 INVESTMENTS

Investments consist of the following at September 30, 2020:

Government and Agency Securities	\$ 528,295
Equity Securities	2,949,280
Mutual Funds	<u>980,781</u>
Total Investments	<u><u>\$ 4,458,356</u></u>

Investment return for the year ended September 30, 2020 is summarized as follows:

Interest and Dividend Income	\$ 111,232
Unrealized Loss on Equity Securities	108,648
Realized Gain on Sale of Investments	<u>99,356</u>
Total Investment Gain	<u><u>\$ 319,236</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, 2020

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, 2020:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Government and Agency Bonds	\$ 528,295	\$ -	\$ 528,295	\$ -
Equity Securities	2,949,280	2,949,280	-	-
Mutual Funds	980,781	980,781	-	-
Total	<u>\$ 4,458,356</u>	<u>\$ 3,930,061</u>	<u>\$ 528,295</u>	<u>\$ -</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2020 consist of:

Purpose Restriction For Cancer Treatment in Minnesota \$ 608,481

Assets released from restrictions for the year ended September 30, 2020 are as follows:

Satisfaction of Purpose Restriction \$ 9,690

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2020:

Furniture and Fixtures	\$ 17,878
Equipment	46,038
Software	298,611
Leasehold Improvements	6,800
Total	<u>369,327</u>
Less: Accumulated Depreciation	<u>(364,402)</u>
Property and Equipment	<u>\$ 4,925</u>

Depreciation expense was \$9,203 for the year ended September 30, 2020.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	\$ 1,356,289
Management and General	470,429
Fundraising	<u>3,041,232</u>
Total Joint Costs	<u><u>\$ 4,867,950</u></u>
Type of Activity:	
Direct Mail	\$ 4,795,111
Telemarketing	<u>72,839</u>
Total Joint Costs	<u><u>\$ 4,867,950</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 \$9,521 to \$11,996 per month over the remaining term of the lease expiring April 30, 2027.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 135,627
2022	135,557
2023	133,374
2024	133,451
2025	137,328
Thereafter	225,175
Total	<u><u>\$ 900,511</u></u>

Total rental expense under operating leases with a term in excess of one month was \$109,530 for the year ended September 30, 2020.

NOTE 9 COMMITMENTS AND CONTINGENCIES

At September 30, 2020, the Organization is committed to several contracts for fundraising and program services, which are scheduled to expire on various dates through March 2021. 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 \$52,433 for the year ended September 30, 2020.

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, 2020, the Organization recognized and disbursed \$23,566,723 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, 2020

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 sheets and the statements of activities.

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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, 2020 was \$2,723,439. At September 30, 2020, borrowings under the agreement were \$252,627, 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, 2020 is 2.15%.

Cash paid for interest on the line of credit was \$7,904 for the year ended September 30, 2020.

NOTE 14 PAYROLL PROTECTION PROGRAM LOAN

The Organization also entered into a loan agreement with a financial institution pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. The Seminary received total proceeds of \$295,130. The loan is scheduled to mature on April 13, 2022 and has a 1.00% interest rate and is subject to terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES act. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 14 PAYROLL PROTECTION PROGRAM LOAN (CONTINUED)

The amount of loan proceeds eligible for forgiveness is based on a formula based on a number of factors, including the amount of loan proceeds used by the Organization during the eight-week period after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other things, at least 75% of the loan amount is used for eligible payroll costs, the employer maintaining or rehiring employees, and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Company intends to use the proceeds from the SBA Loans primarily for payroll costs. Management believes forgiveness will be granted, and the loan is presented as short term in the statement of financial position.

NOTE 15 RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the Organization received \$83,877 in contributions from various members of the board of directors (Directors). In addition, during the year ended September 30, 2020, the Organization received \$136,500 from companies in which Directors serve as a director or officer. At September 30, 2020, there were no receivables from related parties. The Organization also did not received any In-Kind gifts from various board members of the board of directors during the year ended September 30, 2020.

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, 2020 totaled \$47,857. The board member was not directly compensated for services provided.