

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022



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**THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
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YEAR ENDED SEPTEMBER 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The National Children's Cancer Society, Inc., which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 National Children's Cancer Society, Inc. as of September 30, 2022, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 National Children's Cancer Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 National Children's Cancer Society, Inc.'s ability to continue as a going concern for one year after the date 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 GAAS will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 National Children's Cancer Society, Inc.'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 National Children's Cancer Society, Inc.'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.

Other Information Included in the Annual Report

Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

St. Louis, Missouri
February 21, 2023

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022

ASSETS

CURRENT ASSETS

| | |
|-----------------------------------|------------------|
| Cash | \$ 3,681,333 |
| Accounts Receivable, Net | 511,265 |
| Inventory | 2,477,311 |
| Prepaid Expenses and Other Assets | 31,994 |
| Total Current Assets | <u>6,701,903</u> |

NONCURRENT ASSETS

| | |
|-----------------------------|------------------|
| Investments | 3,882,934 |
| Property and Equipment, Net | 3,332 |
| Total Noncurrent Assets | <u>3,886,266</u> |

| | |
|--------------|-----------------------------|
| Total Assets | <u><u>\$ 10,588,169</u></u> |
|--------------|-----------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------|------------------|
| Accounts Payable | \$ 1,758,986 |
| Annuities Payable | 18,181 |
| Accrued Expenses | 116,966 |
| Unearned Revenue | 11,659 |
| Total Current Liabilities | <u>1,905,792</u> |

LONG-TERM LIABILITIES

| | |
|-----------------------------|----------------|
| Annuities Payable | 106,569 |
| Total Long-Term Liabilities | <u>106,569</u> |

NET ASSETS

| | |
|----------------------------|------------------|
| Without Donor Restrictions | 5,032,966 |
| With Donor Restrictions | 3,542,842 |
| Total Net Assets | <u>8,575,808</u> |

| | |
|----------------------------------|-----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 10,588,169</u></u> |
|----------------------------------|-----------------------------|

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------|
| PUBLIC SUPPORT AND REVENUE | | | |
| Contributions | \$ 8,394,417 | \$ 3,015,000 | \$ 11,409,417 |
| List Rental Income | 75,538 | - | 75,538 |
| Event Revenue | 156,821 | - | 156,821 |
| Less Direct Costs of Events | (18,429) | - | (18,429) |
| In-Kind Contributions | 28,126,835 | - | 28,126,835 |
| Investment Loss | (739,899) | (152,341) | (892,240) |
| Net Assets Released from Restrictions - Satisfaction of Program Restrictions | 13,434 | (13,434) | - |
| Total Public Support and Revenue | 36,008,717 | 2,849,225 | 38,857,942 |
| EXPENSES | | | |
| Program Services: | | | |
| Division of Patient and Family Services | 28,296,978 | - | 28,296,978 |
| Supplemental Family Support | 857,549 | - | 857,549 |
| Public Information and Education | 277,572 | - | 277,572 |
| Total Program Services | 29,432,099 | - | 29,432,099 |
| Supporting Services: | | | |
| Management and General | 1,003,773 | - | 1,003,773 |
| Fundraising | 4,205,570 | - | 4,205,570 |
| Total Supporting Services | 5,209,343 | - | 5,209,343 |
| Total Expenses | 34,641,442 | - | 34,641,442 |
| OTHER INCOME | | | |
| Change in Value of Annuities | 4,617 | - | 4,617 |
| NET CHANGE IN NET ASSETS | 1,371,892 | 2,849,225 | 4,221,117 |
| Net Assets - Beginning of Year | 3,661,074 | 693,617 | 4,354,691 |
| NET ASSETS - END OF YEAR | \$ 5,032,966 | \$ 3,542,842 | \$ 8,575,808 |

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

| | Program Services | | | Supporting Services | | Total |
|---------------------------------|---|-----------------------------|----------------------------------|------------------------|---------------------|----------------------|
| | Division of Patient and Family Services | Supplemental Family Support | Public Information and Education | Management and General | Fundraising | |
| Aid Grants | \$ 25,664,919 | \$ 707,899 | \$ - | \$ - | \$ - | \$ 26,372,818 |
| Production Services | - | - | - | 619,253 | 3,820,519 | 4,439,772 |
| Family Services and Education | 1,676,953 | 1,367 | 2,535 | - | - | 1,680,855 |
| Salary Expense | 411,079 | 84,111 | 156,010 | 216,120 | 185,381 | 1,052,701 |
| Professional Services | 83,889 | 17,164 | 31,837 | 44,103 | 37,830 | 214,823 |
| Insurance | 73,893 | 15,120 | 28,044 | 38,849 | 33,323 | 189,229 |
| In-Kind Program Shipping | 182,660 | - | - | - | - | 182,660 |
| Rent and Utilities | 50,972 | 10,429 | 19,345 | 26,798 | 22,986 | 130,530 |
| Other Expenses | 41,788 | 8,550 | 15,859 | 21,970 | 18,845 | 107,012 |
| Payroll Taxes | 29,351 | 6,006 | 11,138 | 15,431 | 13,236 | 75,162 |
| Cause Related Marketing | - | - | - | - | 58,236 | 58,236 |
| UPS Donation Processing Center | 47,289 | - | - | - | - | 47,289 |
| Retirement | 17,549 | 3,591 | 6,660 | 9,226 | 7,914 | 44,940 |
| Direct Costs of Events | - | - | - | - | 18,429 | 18,429 |
| Telephone | 5,789 | 1,184 | 2,197 | 3,043 | 2,610 | 14,823 |
| Office Supplies and Services | 1,996 | 408 | 757 | 4,561 | 900 | 8,622 |
| Equipment Rental | 3,064 | 627 | 1,163 | 1,611 | 1,382 | 7,847 |
| Postage, Shipping, and Handling | 3,062 | 626 | 1,162 | 1,610 | 1,381 | 7,841 |
| Meetings and Travel | 1,205 | 247 | 457 | 634 | 543 | 3,086 |
| Depreciation Expense | 1,074 | 220 | 408 | 564 | 484 | 2,750 |
| Shipping and Procurement | 446 | - | - | - | - | 446 |
| Total | <u>28,296,978</u> | <u>857,549</u> | <u>277,572</u> | <u>1,003,773</u> | <u>4,223,999</u> | <u>34,659,871</u> |
| Less: Direct Costs of Events | - | - | - | - | (18,429) | (18,429) |
| Total Expenses | <u>\$ 28,296,978</u> | <u>\$ 857,549</u> | <u>\$ 277,572</u> | <u>\$ 1,003,773</u> | <u>\$ 4,205,570</u> | <u>\$ 34,641,442</u> |

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022

| | |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net Change in Net Assets | \$ 4,221,117 |
| Adjustments to Reconcile Net Change in Net Assets to | |
| Net Cash Provided by Operating Activities | |
| Proceeds from Sales of Contributed Investments | 48,196 |
| Depreciation | 2,750 |
| Change in Value of Annuities | (4,617) |
| Unrealized Loss on Investments | 1,129,631 |
| Realized Gain on Investments | (121,662) |
| (Increase) Decrease in: | |
| Accounts Receivable | (244,270) |
| Employee Retention Credit Receivable | 363,906 |
| Inventory | (2,460,429) |
| Prepaid Expenses and Other Assets | 4 |
| Increase (Decrease) in: | |
| Accounts Payable | 699,447 |
| Annuity Payable | 10,746 |
| Accrued Expenses | (11,009) |
| Unearned Revenue | 3,763 |
| Net Cash Provided by Operating Activities | <u>3,637,573</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of Property and Equipment | (910) |
| Proceeds from Sale of Investments | 896,706 |
| Purchases of Investments | <u>(960,709)</u> |
| Net Cash Used by Investing Activities | (64,913) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Net Payments on Line of Credit | <u>(413,288)</u> |
| NET CHANGE IN CASH | 3,159,372 |
| Cash - Beginning of Year | <u>521,961</u> |
| CASH - END OF YEAR | <u><u>\$ 3,681,333</u></u> |

See accompanying Notes to Financial Statements.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022, the Organization had \$3,542,842 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 (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, 2022, deposits at the bank were in excess of federally insured limits were \$3,413,004.

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, 2022 to be collectible. Therefore, no allowance for doubtful accounts is recorded at September 30, 2022. All receivables are considered current at September 30, 2022; therefore, no discount has been recorded. Accounts receivables at October 1, 2021 totaled \$266,995.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

**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 pharmaceutical and medical supplies, program literature and patient, and family service items and is stated at the lower of cost or net realizable value, 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, 2022

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

In-Kind Non-Financial Contributions

Contributed non-financial assets are recognized within the financial statements of activities are as follows for the year end September 30, 2022:

| <u>Non-Financial Asset</u> | <u>2022 Revenue Recognition</u> | <u>Monetized or Utilized</u> | <u>Utilization Function</u> | <u>Donor Restrictions</u> | <u>Valuation Technique</u> |
|----------------------------------|---|----------------------------------|--|-------------------------------|--|
| Basic Pharmaceutical Drugs | \$ 28,126,835 | Utilized | Distributed to medical providers & hospitals for use with children | None | Value based on wholesale price in a national pharmaceutical database |

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 3.6% was applied to determine the liability at September 30, 2022. Fair value at September 30, 2022 is \$240,363, while the recorded liability is \$124,750.

Event Revenue

Event revenue consists of money raised from fundraising events to support mission goals and is consistent and anticipated in future periods.

List Rental Income

Rental Income received from consistent payments on a monthly basis. The amount recorded aligns with prior amounts recorded and these payments are expected to continue.

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 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.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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 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.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Fair Value Measurements (Continued)

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 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.

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, 2022, 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.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Change in Accounting Pronouncement

In September 2020, FASB issued Accounting Standards (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendment to this ASU requires Not-for-Profits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets. No cumulative-effect adjustment in net assets was recorded as a result of the adoption.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 21, 2023, the date the financial statements were available to be issued.

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, 2022:

| | |
|---|---------------------|
| Cash and Cash Equivalents | \$ 3,681,333 |
| Accounts Receivable | 511,265 |
| Investments | <u>3,882,934</u> |
| Total Current Financial Assets | 8,075,532 |
| Less: Net Assets With Donor Restrictions Relating to Current Financial Assets | <u>(3,542,842)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 4,532,690</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 \$2,616,476 that could be used if needed.

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3 INVESTMENTS

Investments consist of the following at September 30, 2022:

| | |
|----------------------------------|---------------------|
| Government and Agency Securities | \$ 458,263 |
| Equity Securities | 2,668,798 |
| Mutual Funds | 755,873 |
| Total Investments | <u>\$ 3,882,934</u> |

Investment return for the year ended September 30, 2022 is summarized as follows:

| | |
|--------------------------------------|---------------------|
| Interest and Dividend Income | \$ 115,729 |
| Unrealized Loss on Equity Securities | (1,129,631) |
| Realized Gain on Sale of Investments | 121,662 |
| Total Investment Loss | <u>\$ (892,240)</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 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, 2022:

| | Total | Level 1 | Level 2 | Level 3 |
|-----------------------------|---------------------|---------------------|-------------------|-------------|
| Government and Agency Bonds | \$ 458,263 | \$ - | \$ 458,263 | \$ - |
| Equity Securities | 2,668,798 | 2,668,798 | - | - |
| Mutual Funds | 755,873 | 755,873 | - | - |
| Total | <u>\$ 3,882,934</u> | <u>\$ 3,424,671</u> | <u>\$ 458,263</u> | <u>\$ -</u> |

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2022 consist of:

| | |
|---|---------------------|
| Purpose Restriction For RCCJ Grant | \$ 3,000,000 |
| Purpose Restriction For GP M.A.D.E. Foundation | 6,773 |
| Purpose Restriction For Cancer Treatment in Minnesota | 536,069 |
| Total Net Assets with Donor Restrictions | <u>\$ 3,542,842</u> |

Assets released from restrictions for the year ended September 30, 2022 are as follows:

| | |
|-------------------------------------|------------------|
| Satisfaction of Purpose Restriction | <u>\$ 13,434</u> |
|-------------------------------------|------------------|

THE NATIONAL CHILDREN'S CANCER SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2022:

| | |
|--------------------------------|------------------|
| Furniture and Fixtures | \$ 17,878 |
| Equipment | 50,711 |
| Software | 298,611 |
| Leasehold Improvements | <u>6,800</u> |
| Total | 374,000 |
| Less: Accumulated Depreciation | <u>(370,668)</u> |
| Property and Equipment | <u>\$ 3,332</u> |

Depreciation expense was \$2,750 for the year ended September 30, 2022.

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 for the year ended September 30, 2022 are as follows:

| | |
|----------------------------|---------------------|
| Functional Classification: | |
| Program Services | \$ 1,680,855 |
| Management and General | 619,253 |
| Fundraising | <u>3,820,519</u> |
| Total Joint Costs | <u>\$ 6,120,627</u> |
| Type of Activity: | |
| Direct Mail | <u>\$ 6,120,627</u> |
| Total Joint Costs | <u>\$ 6,120,627</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.

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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 of \$8,603 per month over the remaining term of the lease expiring September 30, 2023.

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, 2022 are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|-------------------|
| 2023 | <u>\$ 107,037</u> |

Total rental expense under operating leases with a term in excess of one month was \$116,274 for the year ended September 30, 2022.

NOTE 9 RETIREMENT PLAN

The Organization has a defined contribution retirement plan covering substantially all of its employees. Contributions to the plan and related expenses were \$44,940 for the year ended September 30, 2022.

NOTE 10 AID GRANTS

The Organization receives and disburses both cash and in-kind grants to individuals and organizations. During the year ended September 30, 2022, the Organization received \$28,126,835 and disbursed \$25,664,919 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.

NOTE 11 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, 2022 was \$2,616,476. At September 30, 2022, borrowings under the agreement were \$-0-, 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, 2022 is 5.05%. Cash paid for interest on the line of credit was \$9,606 for the year ended September 30, 2022.

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NOTE 12 RELATED PARTY TRANSACTIONS

During the year ended September 30, 2022, the Organization received \$65,335 in contributions from various members of the board of directors (Directors). In addition, during the year ended September 30, 2022, the Organization received \$12,500 from companies in which Directors serve as a director or officer. The Organization also received \$24,374 in in-kind gifts from various board members of the board of directors during the year ended September 30, 2022.

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, 2022 totaled \$52,179. The board member was not directly compensated for services provided.

NOTE 13 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.



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