

St. Baldrick's Foundation

Financial Statements

June 30, 2022 and 2021

(Restated)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 22



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Baldrick's Foundation
Monrovia, California

Opinion

We have audited the accompanying financial statements of St. Baldrick's Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Baldrick's Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Baldrick's Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restatement

As described in Note 14, the financial statements for the year ended June 30, 2022 were previously issued as of November 7, 2022 and have been restated due to an error subsequently self-identified by management. Our opinion of the Foundation's financial statements is not modified with respect to this matter.

Responsibilities of Management 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, 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.



An independent firm
associated with Moore
Global Network Limited

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 St. Baldrick's Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Baldrick's Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Baldrick's Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Armanino^{LLP}
Los Angeles, California

February 8, 2023

St. Baldrick's Foundation
 Statements of Financial Position
 June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,893,798	\$ 6,941,445
Cash equivalents and investments - reserves for grants payable	16,975,680	11,948,293
Contributions receivable, net	714,920	381,323
Prepaid expenses and other current assets	366,322	233,768
Website and software development costs, net	961,405	1,257,471
Property and equipment, net	18,001	6,011
Security deposits	34,355	34,355
Total assets	\$ 22,964,481	\$ 20,802,666
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 12,269,860	\$ 11,514,499
Accounts payable and accrued expenses	370,524	354,297
Other liabilities	195,277	168,019
Total liabilities	12,835,661	12,036,815
Net assets		
Without donor restrictions	8,448,633	7,712,826
With donor restrictions	1,680,187	1,053,025
Total net assets	10,128,820	8,765,851
Total liabilities and net assets	\$ 22,964,481	\$ 20,802,666

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	\$ 20,473,247	\$ 2,070,939	\$ 22,544,186
Contributed services and assets	512,198	-	512,198
Net investment return	19,401	-	19,401
Total revenues, gains, and other support	21,004,846	2,070,939	23,075,785
Net assets released from restriction	1,443,777	(1,443,777)	-
Total revenues, gains and other support	22,448,623	627,162	23,075,785
Functional expenses			
Childhood cancer research and advocacy	14,681,010	-	14,681,010
Support services			
Management and general	1,554,620	-	1,554,620
Fundraising	5,477,186	-	5,477,186
Total support services	7,031,806	-	7,031,806
Total functional expenses	21,712,816	-	21,712,816
Change in net assets	735,807	627,162	1,362,969
Net assets, beginning of year	7,712,826	1,053,025	8,765,851
Net assets, end of year	\$ 8,448,633	\$ 1,680,187	\$ 10,128,820

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 15,371,717	\$ 1,104,568	\$ 16,476,285
Contributed services and assets	337,644	-	337,644
Net investment return	923,552	-	923,552
Paycheck Protection Program grant	<u>1,008,715</u>	<u>-</u>	<u>1,008,715</u>
Total revenues, gains, and other support	17,641,628	1,104,568	18,746,196
Net assets released from restriction	<u>2,194,589</u>	<u>(2,194,589)</u>	<u>-</u>
Total revenues, gains and other support	<u>19,836,217</u>	<u>(1,090,021)</u>	<u>18,746,196</u>
Functional expenses			
Childhood cancer research and advocacy	<u>9,643,095</u>	<u>-</u>	<u>9,643,095</u>
Support services			
Management and general	1,421,755	-	1,421,755
Fundraising	<u>5,599,734</u>	<u>-</u>	<u>5,599,734</u>
Total support services	<u>7,021,489</u>	<u>-</u>	<u>7,021,489</u>
Total functional expenses	<u>16,664,584</u>	<u>-</u>	<u>16,664,584</u>
Change in net assets	3,171,633	(1,090,021)	2,081,612
Net assets, beginning of year	<u>4,541,193</u>	<u>2,143,046</u>	<u>6,684,239</u>
Net assets, end of year	<u>\$ 7,712,826</u>	<u>\$ 1,053,025</u>	<u>\$ 8,765,851</u>

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

St. Baldrick's Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2022

	<u>Childhood cancer research and advocacy</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 12,994,714	\$ -	\$ -	\$ 12,994,714
Salaries and benefits	876,157	844,224	1,991,668	3,712,049
Marketing and publicity	121,501	55	364,666	486,222
Event promotion costs	-	-	313,567	313,567
Donation processing and bank fees	-	8,802	406,091	414,893
Printing costs	2,784	696	10,441	13,921
Occupancy	92,288	88,372	209,124	389,784
Other operating costs	36,396	53,873	78,921	169,190
Professional fees and consultants	158,093	70,767	20,092	248,952
Technology and information systems	321,810	463,025	1,550,592	2,335,427
Meetings, conventions and travel	55,889	3,541	9,317	68,747
Depreciation and amortization	21,378	21,265	522,707	565,350
	<u>\$ 14,681,010</u>	<u>\$ 1,554,620</u>	<u>\$ 5,477,186</u>	<u>\$ 21,712,816</u>

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

St. Baldrick's Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Childhood cancer research and advocacy	Management and general	Fundraising	Total
Grants	\$ 7,877,034	\$ -	\$ -	\$ 7,877,034
Salaries and benefits	872,724	817,206	1,944,949	3,634,879
Marketing and publicity	265,454	31	796,456	1,061,941
Event promotion costs	-	-	234,825	234,825
Donation processing and bank fees	-	8,258	300,354	308,612
Printing costs	2,846	711	10,672	14,229
Occupancy	107,307	100,078	235,423	442,808
Other operating costs	43,598	50,864	77,286	171,748
Professional fees and consultants	181,226	61,260	53,052	295,538
Technology and information systems	236,253	334,354	1,398,249	1,968,856
Meetings, conventions and travel	25,665	-	412	26,077
Depreciation and amortization	30,988	48,993	548,056	628,037
	<u>\$ 9,643,095</u>	<u>\$ 1,421,755</u>	<u>\$ 5,599,734</u>	<u>\$ 16,664,584</u>

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

St. Baldrick's Foundation
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 1,362,969	\$ 2,081,612
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	565,350	628,037
Net realized and unrealized gains on sales of investments	(26,014)	(740,570)
Investment fees	8,605	38,831
Loss from disposal of property and equipment	63,464	-
Donated securities	(73,861)	-
Changes in operating assets and liabilities		
Contributions receivable, net	(333,597)	67,619
Prepaid expenses and other current assets	(132,554)	228,753
Grants payable	755,361	(12,882,237)
Accounts payable and accrued expenses	16,227	(227,998)
Refundable advance - Paycheck Protection Program	-	(175,800)
Other liabilities	27,258	(30,950)
Net cash provided by (used in) operating activities	<u>2,233,208</u>	<u>(11,012,703)</u>
Cash flows from investing activities		
Purchases of investments	-	(2,489,679)
Sales of investments	63,883	16,297,564
Maturities of fixed income investments	-	100,000
Reinvestment of interest and dividend income	-	(221,813)
Net cash and cash equivalent activity within investment accounts	(5,000,000)	1,594,940
Purchases of property and equipment	(20,645)	-
Website development costs	(324,093)	(507,624)
Salesforce implementation costs	-	(9,424)
Net cash provided by (used in) investing activities	<u>(5,280,855)</u>	<u>14,763,964</u>
Net increase (decrease) in cash and cash equivalents	(3,047,647)	3,751,261
Cash and cash equivalents, beginning of year	<u>6,941,445</u>	<u>3,190,184</u>
Cash and cash equivalents, end of year	<u>\$ 3,893,798</u>	<u>\$ 6,941,445</u>

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

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

1. NATURE OF OPERATIONS

St. Baldrick's Foundation (the "Foundation"), a charitable entity, was established in 2004 with the ultimate goal of finding cures for childhood cancers to "create" survivors and give them long and healthy lives. The Foundation pursues its mission by funding the most promising childhood cancer research available and advocating for increased federal funding and improved policies around childhood cancer issues. The Foundation has played a role in virtually every advancement in the field of childhood cancer research for more than 20 years, by training the next generation of researchers; supporting key medical, technical and data infrastructure which enables greater collaboration between researchers and institutions; and supporting every phase of research, from basic science and translational research to clinical trials.

Unlike many organizations that are funded by a wealthy individual or family, St. Baldrick's research is funded by the efforts of thousands of volunteers who lead community-based fundraising events. The Foundation also raises funds through other traditional programs such as major and planned gifts.

The pandemic made public fundraising events impossible to execute effectively, and the revenue shortfall experienced in 2020 and 2021 reflected that. In 2022 however, fundraising significantly rebounded resulting in a 10-point increase or 17.2% improvement in the program expense ratio over the prior year – a significant improvement. Despite this strong turnaround, the larger economic climate demands the Foundation maintain a conservative posture with respect to financial investments and use of budget.

St. Baldrick's has continued to honor all its commitments to researchers throughout this recovery, and in fiscal year 2022, 98% of St. Baldrick's grants were awarded to a U.S. research institution, with many grants involving international collaboration. The Foundation remains committed to supporting the research in communities where our volunteers live and work, at the hospitals that treat America's children with cancer.

St. Baldrick's salutes the leaders, communities and industries that returned in 2022, and remain grateful for this generosity, which has enabled more lifesaving research to be supported this year to Conquer Kids' Cancer!

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein have been classified and are reported as follows:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Directors of management for specific purposes.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the expiration of stipulated time.

Income tax status

The Internal Revenue Service has determined that the Foundation is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Foundation considers all highly-liquid financial instruments with an original maturity of three months or less to be cash equivalents, except those which have been classified as investments.

Concentration of risk

The Foundation's bank balances generally exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Foundation has not experienced and does not anticipate any losses related to these balances.

Reserves

The Foundation's policy is to fully reserve funding for grants awarded at the time the grant commitment is made. This policy provides the financial commitment to its researchers that these vital research projects can be completed without regard to future unforeseen events. This policy remains in place and a priority for the Foundation even through the financial challenges brought on by the pandemic's impact on fundraising.

As of June 30, 2022 and 2021, the reserve for outstanding grants awarded was \$12,269,860 and \$11,514,499, respectively. Cash equivalents and investments - reserves for grants payable exceed the reserves needed to satisfy the grant commitments.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are monitored by the Board of Directors' finance and investment committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

The Foundation's Board of Directors (the "Board") has adopted an investment policy whereas all investments will be made through highly liquid investments, invested with the view towards preservation of capital, with a weighted average life no longer than three years, and will be made only through the permissible asset mix as defined in the policy. Currently, the Foundation is holding only cash equivalents. There are no plans to return to a more diverse investment portfolio at this time.

Accounting Standards Codification ("ASC") Topic *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. Under this topic, the Foundation must report its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Website and software development costs

The Foundation recognizes the costs incurred in the development of the Foundation's custom website, which includes the public website, the member's management portal, St. Baldrick's staff's management tool, and proprietary contribution and event software in accordance with ASC Topic *Intangibles-Goodwill and Other*. Accordingly, direct costs incurred during the application stage of development are capitalized and amortized over the estimated useful life, which is 36 months or less. Fees for website hosting and costs of operating the website are expensed as incurred.

Property and equipment

Property and equipment are recorded at cost. Property and equipment are being depreciated using the straight-line method over estimated lives of three to five years. Repairs and maintenance are charged to expenses as incurred.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provisions were recorded by the Foundation during the years ended June 30, 2022 or 2021.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

Complex research projects can require a commitment of up to three to five years of funding. The Foundation records appropriations for grants as a liability and expense after approval by the Board, based upon a professional review system (see "Nature of Operations" note above).

Given COVID-19's dramatic impact on the Foundation's fundraising events, management worked with St. Baldrick's scientific advisors to determine the most critical use of limited grant funds, given the pandemic's negative impact on cancer research overall.

The following grant categories were identified as most urgent:

Fellowships (funded for 2-3 years) fund the training of new medical doctors to specialize in pediatric cancer research. During these years, the Fellow engages in a specific research project under the guidance of a mentor.

Scholar Awards (funded for 3-5 years) are for early career pediatric oncology researchers conducting specific research projects. These younger professionals might otherwise be unable to pursue their new ideas, as they must compete with more established experts for extremely scarce funding.

Consortium grants (funded for 1-5 years) are awarded to groups of researchers from multiple institutions who are collaborating on large research projects.

Cooperative research funding is granted to the COG, with funds distributed to its more than 200 member institutions to support clinical trials, thereby funding virtually every institution qualified to treat childhood cancers in the United States and Canada.

International Scholar Awards (funded for 3-5 years) are for researchers from low- to middle-income countries to train in the U.S. or other developed countries, then return to pursue research and offer a higher quality of care to patients in their home countries.

International beneficiary grants (1 year) are for organizations outside the U.S., supporting research or funds to help patients in these countries where the Foundation has a fundraising presence.

Infrastructure grants (1 year) are for resources to make more research possible, often funding a clinical research associate who ensures more options are available for patients to participate in clinical trials.

The St. Baldrick's - Stand Up To Cancer Pediatric Cancer Dream Team, building on the success of its first four-year term, embarked on a new grant period with the Foundation in late 2017, focused on curing childhood cancers by bringing together the fields of immunotherapy and genomics, and expanding its work to include multiple types of pediatric cancer.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

Each of the suspended grant types address a vital need in childhood cancer research which the Foundation is working to resume as soon as possible:

Summer Fellowships cover a small stipend for medical school or college students to spend a summer conducting research under expert guidance in a pediatric oncology research laboratory. The objective is for these students to accomplish meaningful work while also inspiring them to choose pediatric cancer research as their specialty.

Research grants are for 1-year projects to research new and better treatments, as well as survivorship, for childhood cancers.

Supportive care research grants are for 1-year projects, often conducted by research nurses, for research to improve patient care, symptom management, psychosocial care, compliance with therapy, survivorship issues, and more.

The St. Baldrick's Robert J. Arceci Innovation Award (funded for 3 years) is in memory of Dr. Robert J. Arceci. These awards are based on nominations of U.S./Canadian and international early- to mid-career scientists, whose work reflects his values of creativity, collaboration, and impact.

In addition to the above standard grant opportunities, the Foundation works with major donors of \$1 million or more to issue special Requests for Applications ("RFAs") to seek out grant applications, conduct a scientific review, and fund research in a specific disease or area of research interest.

Contributions

Contributions are recognized as revenue in the period received. The Foundation reports gifts of cash and other assets as without donor restricted support unless they are received with donor stipulations that limit the use of the donated assets.

Contributed services and assets

Contributed services are reported at the estimated fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills, and (3) are services which would typically be purchased if not provided by donation. The Foundation recorded contributed services primarily relating to public relations, advertising, attorney services and management consulting. Contributed services recognized are valued at the estimated fair value of current rates for similar professional services.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and assets (continued)

Contributed assets consist of items for fundraising events and other items for operations which are recorded at fair value at the date of the gift, as contributions. Contributed assets are valued based on estimates of retail values that would be received for selling similar products.

Contributed services and assets consisted of the following:

	2022	2021
Professional services	\$ 505,809	\$ 336,344
Donated goods	6,389	1,300
	\$ 512,198	\$ 337,644

Volunteers

A number of volunteers, including members of the Board, have made significant contributions of time to the Foundation's policymaking, program, fundraising and support functions. In particular, for the years ended June 30, 2022 and 2021, the Foundation's grant applications were reviewed by a team medical doctors and researchers who contributed approximately 603 and 540 hours, respectively. The number varies based upon the number of grant applications and the specific expertise required to review each. The value of this contributed time does not meet the criteria for recognition of contributed services as detailed above and, therefore, is not reflected in the accompanying statements of activities.

Partnerships with foreign organizations

Recognizing that childhood cancer knows no boundaries, the Foundation carefully partners with pediatric cancer nonprofits worldwide in order to ensure that research needs in countries participating in pediatric cancer research are supported or that other needs of pediatric cancer are addressed in countries not participating in research. The Foundation provides support and expertise in fundraising in order to maximize fundraising efforts in the countries that want assistance.

In countries where the Foundation's events are held, the Foundation partners with vetted and approved foreign organizations to direct funds to what the Foundation views as the best research available in that country or the next best need if research is not performed in that country. The Foundation's support and partnerships generated approximately \$306,028 and \$297,490 of contributions for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022, the Foundation partnered with organizations in multiple countries, including Australia, Bermuda, Hong Kong, India, Japan, Singapore and the United Kingdom.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

Expenses that can be directly identified with a program or the supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using methods determined by management to be reasonable.

Subsequent events

The Foundation has evaluated events subsequent to June 30, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through February 8, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

The Foundation's investment policy allows for investments in equities which are components of the Standard & Poor's 500 or Dow Jones Industrial Average, fixed-income securities generally rated investment grade or better, certificates of deposit and bankruptcy-remote money market funds. During year ended June 30, 2021, the investment positions subject to market volatility were liquidated to ensure the Foundation's reserves continue to be adequate to satisfy grant commitments.

Investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	<u>\$ 16,975,680</u>	<u>\$ 11,948,293</u>
	<u>\$ 16,975,680</u>	<u>\$ 11,948,293</u>

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

3. INVESTMENTS (continued)

Activity in the investments during the year was as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 11,948,293	\$ 26,527,566
Purchases of investments	-	2,489,679
Sale of investments	(63,883)	(16,297,564)
Donated securities	73,861	-
Net cash and cash equivalent activity within investment accounts	5,000,000	(1,594,940)
Interest and dividend income, net of fees \$8,605 and \$38,831, respectively	17,409	182,982
Net realized and unrealized gains on investments	-	740,570
Maturities of fixed income investments	<u>-</u>	<u>(100,000)</u>
Balance, end of year	<u>\$ 16,975,680</u>	<u>\$ 11,948,293</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	<u>\$ 16,975,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,975,680</u>
	<u>\$ 16,975,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,975,680</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	<u>\$ 11,948,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,948,293</u>
	<u>\$ 11,948,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,948,293</u>

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

4. CONTRIBUTIONS RECEIVABLE

Future collections of contributions receivable are expected as follows:

<u>Year ending June 30,</u>	
2023	\$ 472,013
2024	250,000
	<u>722,013</u>
Less: discounts to net present value	<u>(7,093)</u>
	<u><u>\$ 714,920</u></u>

5. WEBSITE AND SOFTWARE DEVELOPMENT COSTS

Website and software development costs, net consist of the following:

	<u>2022</u>	<u>2021</u>
Website development	\$ 9,207,174	\$ 8,883,079
Salesforce implementation costs	100,460	321,791
Accumulated amortization	<u>(8,346,229)</u>	<u>(7,947,399)</u>
	<u><u>\$ 961,405</u></u>	<u><u>\$ 1,257,471</u></u>

Amortization expense for the years ended June 30, 2022 and 2021 was \$556,695 and \$604,674, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 414,121	\$ 393,476
Furniture and fixtures	<u>12,767</u>	<u>12,767</u>
	426,888	406,243
Accumulated depreciation	<u>(408,887)</u>	<u>(400,232)</u>
	<u><u>\$ 18,001</u></u>	<u><u>\$ 6,011</u></u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$8,655 and \$23,363, respectively.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

7. GRANTS PAYABLE

The highest quality research projects often require a commitment of two to five years of funding. All continuing grant recipients are subject to discretionary renewal, based on the fulfillment of the requirements of performing the childhood cancer research approved through the review process. The grant recipient provides appropriate and timely grant reports and complies with Foundation policies regarding the use of funds.

At June 30, 2022 and 2021, the Foundation has committed to continuing grants for Fellows, Scholars, International Scholars, and Consortia aggregating \$12,269,860 and \$11,514,499, respectively, that are scheduled to be disbursed through June 30, 2025. Management estimates the likelihood of the recipients not meeting these conditions as remote and, therefore, these grants meet the criteria for recognition of a payable contained in ASC Topic *Not-for-Profit Entities, Contributions Made* and, accordingly, have been included in the accompanying financial statements.

Grant commitments that are expected to be paid within one year are recorded at net realizable value. Grant commitments that are expected to be paid in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using adjusted risk-free rates of U.S Treasury yields. For the year ended June 30, 2022, the interest rate applied was 2.92%. Amortization of the discount is included in grant expense.

Future maturities of grants payable are as follows:

<u>Year ending June 30,</u>		
2023	\$	11,112,714
2024		977,468
2025		<u>220,000</u>
		12,310,182
Less: discounts to net present value		<u>(40,322)</u>
		<u>\$ 12,269,860</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2022	2021
Purpose restricted	\$ 560,338	\$ 577,617
Purpose restricted for 18 months	404,929	463,009
Time restricted	<u>714,920</u>	<u>12,399</u>
	<u>\$ 1,680,187</u>	<u>\$ 1,053,025</u>

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Purpose-restricted net assets consist primarily of contributions in support of research for specific types of cancer. The Foundation has certain agreements with donors that provide for the expiration of a donor restriction at the end of 18 months if a suitable research project has not been identified. These contributions are classified as restricted until the funds are used for the restricted purpose or the restriction has lapsed.

9. COMMITMENT

At June 30, 2022, the Foundation is obligated under a noncancelable operating lease for office space that is set to expire June 30, 2027. In addition, the Foundation is responsible for its applicable share of the landlord's direct expenses over the terms of the lease.

The scheduled minimum lease payments under the existing lease terms are as follows:

<u>Year ending June 30,</u>	
2023	\$ 338,084
2024	347,848
2025	358,223
2026	369,207
2027	<u>380,192</u>
	<u>\$ 1,793,554</u>

Rent expense for the years ending June 30, 2022 and 2021 totaled \$389,784 and \$442,808, respectively.

10. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement 401(k) plan available to eligible employees. Upon meeting the eligibility requirements, an employee may elect to contribute a percentage of base salary up to the maximum permitted by law and the Foundation agrees to contribute a matching amount. Generally, the Foundation contributes 3% of employees' salaries, regardless of their contributions. Employees become immediately vested in the 3% contribution. The Foundation has historically matched employee contributions, up to 7% of their salary. Employees are vested in these contributions over a five-year vesting period. During the year ended June 30, 2021, the Foundation suspended the employer match to reduce operating expenses. The Foundation made employer match contributions of \$0 and \$17,158 during the years ended June 30, 2022 and 2021, respectively. The Foundation made safe harbor contributions of \$86,501 and \$84,473 to the plan for the years ended June 30, 2022 and 2021, respectively.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

11. RELATED PARTIES

For the year ended June 30, 2022, the Foundation received approximately \$263,000 in contributions from members of the Board of Directors and approximately \$13,000 in contributions from employees. For the year ended June 30, 2021, the Foundation received approximately \$184,000 in contributions from members of the Board of Directors and approximately \$14,000 in contributions from employees. As the Foundation's CEO also serves as a member of the Board of Directors, her contributions are included with board member contributions.

12. LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Foundation maintains investments largely in liquid investments. The organization has also sought to maintain approximately six to twelve months of operating expenses (excluding grants) in liquid assets.

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

	2022	2021
Cash and cash equivalents	\$ 3,893,798	\$ 6,941,445
Cash equivalents and investments - reserves for grants payable	16,975,680	11,948,293
	20,869,478	18,889,738
Less:		
Grants payable	(12,269,860)	(11,514,499)
Purpose restricted net assets	(965,267)	(1,040,626)
	(13,235,127)	(12,555,125)
	\$ 7,634,351	\$ 6,334,613

Assets available for general expenditure represent approximately ten months of operating expenditures at June 30, 2022 and ten months of operating expenditures at June 30, 2021.

13. RISKS AND UNCERTAINTIES

The Foundation's operations were adversely affected during the COVID-19 pandemic as the organization substantially depends upon in-person special events to generate revenue. The national shutdown in response to the outbreak, happened in the Foundation's peak fundraising week of the year and while the organization pivoted to a virtual event model within two days, many volunteers have waited for the return of local in-person events to resume participation.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

13. RISKS AND UNCERTAINTIES (continued)

Fiscal year 2022 marked the first turnaround since the onset of the pandemic, and a significant revenue improvement over the prior year. While the Foundation anticipates even more volunteer engagement in fiscal year 2023, it is monitoring the declining economic climate as a weak economy may impact what each volunteer is able to raise and how comfortable each volunteer will be asking family, friends, and colleagues to sponsor his or her efforts.

The Foundation is monitoring the impact of rising interest rates on the economy, inflation, and the current wave of corporate layoffs as well as other external factors, to assess the impacts of these on the Foundation's pandemic recovery. Foundation staff are in close contact with key audiences to ascertain their priorities within their professional and personal environments during this time of austerity.

The medical community and national leaders suggest the worst of the pandemic is over, and if new more dangerous variants emerge, the Foundation will adapt its volunteer "offerings" of engagement opportunities to prioritize volunteer safety. Such changes are likely to dampen engagement and resulting revenue.

Individuals constitute 95% percent of the Foundation's donors, and charitable and political donations are made from an individual's discretionary funds. The election in the fall of 2022 offers more competition for already scarce discretionary dollars and makes it harder to organizations with fewer marketing and media resources to capture donors' attention and support.

To meet changing needs, while ensuring that expenditures prioritize opportunities to maximize revenue and fund more research, the Foundation is working to grow other fundraising programs, including livestreaming to engage content creators as fundraisers for childhood cancer research, and is evaluating the potential of other fundraising programs for subsequent years. The Foundation continues to expand its work with donors who are able to contribute major gifts – a donor segment that played a critical role in the foundation during the pandemic and enabled the funding of critical research. Aiding this effort is a new board-level major gifts committee which is actively engaged in both corporate and individual efforts. The Foundation has also been the beneficiary of several estate gifts which have generated meaningful dollars – greater promotion of this donor opportunity is also underway.

Management and the Board of Directors are collaborating on an update to the organization's strategic plan to ensure the foundation's infrastructure is robust enough to support volunteers fundraising efforts and modest enough to prioritize the funding of research grants to fulfill its mission to cure childhood cancers.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2022 and 2021

14. RESTATEMENT

Subsequent to the initial issuance of its audited financial statements, management self-identified that a grant expense in the amount of \$500,000 was inadvertently recorded but no Foundation funds were inadvertently disbursed. Accordingly, management consulted with the Board of Directors and has corrected the error and reissued its financial statements for the year ended June 30, 2022. The financial statements were available for public access for only a brief period, since they were posted to the Organization's website on January 10, 2023 and the financial statements were removed on January 11, 2023 after management discovered the error.

The following table shows the effect of the correction of an error as of June 30, 2022:

	<u>Program Expenses</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As previously reported, June 30, 2022	\$ 15,181,010	\$ 7,948,633	\$ 1,680,187	\$ 24,809,830
Correction of error - understatement of net assets restricted	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
As restated, June 30, 2022	<u>\$ 14,681,010</u>	<u>\$ 8,448,633</u>	<u>\$ 1,680,187</u>	<u>\$ 24,809,830</u>