

PREVENT CANCER FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021



Certified Public Accountants

Table of Contents

Independent Auditor's Report

Financial Statements

Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 21



Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Prevent Cancer Foundation

Qualified Opinion

We have audited the accompanying financial statements of **Prevent Cancer Foundation** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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, except for the effects of grants payable described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of **Prevent Cancer Foundation** as of December 31, 2021, 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.

Basis for Qualified Opinion

As more fully described in Note 6 to the financial statements, **Prevent Cancer Foundation** has included \$900,000 of grants expense in calendar year 2021 that was unconditionally awarded in December 2020. In our opinion, accounting principles generally accepted in the United States of America require that unconditional promises to give are recorded as an expense and liability as of the date the promise to give is made.

We conducted our audit 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 **Prevent Cancer Foundation** 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 **Prevent Cancer 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 **Prevent Cancer 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 **Prevent Cancer 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.

Kositzka, Wicks and Company

Alexandria, Virginia
July 5, 2022

Prevent Cancer Foundation

Statement of Financial Position December 31, 2021

Assets

Current assets

Cash and cash equivalents	\$ 1,748,270
Grants and pledges receivable	348,261
Investments - general	6,166,816
Prepaid expenses	307,264
	<u>8,570,611</u>

Property and equipment, net of accumulated depreciation

28,455

Other assets

Investments - donor restricted and board designated funds	9,602,269
Deposits and other assets	131,389
Interests in remainder trusts	285,026
Deferred compensation plan assets	506,139
	<u>10,524,823</u>

Total assets

\$ 19,123,889

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 201,114
Grants payable, current	1,286,767
Refundable advances	98,000
Deferred rent	10,351
	<u>1,596,232</u>

Long-term liabilities

Grants payable, net of current portion	375,000
Deferred compensation plan liabilities	506,139
Total liabilities	<u>2,477,371</u>

Net assets

Without donor restrictions	14,163,079
With donor restrictions	
Purpose or time restricted	2,205,026
Perpetual in nature	278,413
Total net assets	<u>16,646,518</u>
Total liabilities and net assets	<u>\$ 19,123,889</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Activities for the year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 1,645,979	\$ 1,327,752	\$ 2,973,731
Bequests	656,642	-	656,642
In-kind contributions	63,825	-	63,825
Special events	4,992,129	-	4,992,129
Less: Costs of direct benefits to donors	(287,315)	-	(287,315)
SBA Paycheck Protection Program loan forgiveness	374,600	-	374,600
Other income	12,346	-	12,346
Net assets released from restrictions	1,508,360	(1,508,360)	-
	<u>8,966,566</u>	<u>(180,608)</u>	<u>8,785,958</u>
Expenses			
Program services			
Research	1,750,922	-	1,750,922
Education and public awareness	3,705,317	-	3,705,317
Community outreach	927,823	-	927,823
Supporting services			
Management and general	710,443	-	710,443
Fundraising	1,174,197	-	1,174,197
	<u>8,268,702</u>	<u>-</u>	<u>8,268,702</u>
Change in net assets before investment and other income	697,864	(180,608)	517,256
Investment and other income	1,460,618	136,434	1,597,052
Change in net assets	2,158,482	(44,174)	2,114,308
Net assets, beginning of period	12,004,597	2,527,613	14,532,210
Net assets, end of period	<u>\$ 14,163,079</u>	<u>\$ 2,483,439</u>	<u>\$ 16,646,518</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

**Statement of Functional Expenses
for the year ended December 31, 2021**

	Program services				Supporting services			Cost of direct benefits to donors	Total expenses
	Research	Education and public awareness	Community outreach	Total	Management and general	Fundraising	Total		
Accounting and auditing	\$ -	\$ -	\$ -	\$ -	\$ 27,500	\$ -	\$ 27,500	\$ -	\$ 27,500
Agency fees	-	86,500	-	86,500	-	-	-	-	86,500
Audio, staging, and entertainment	-	11,751	-	11,751	-	57,968	57,968	4,375	74,094
Advertising and list rentals	213	142,769	161	143,143	536	9,017	9,553	-	152,696
Bank charges	-	-	-	-	4,396	-	4,396	-	4,396
Catering	-	14,339	-	14,339	-	-	-	115,558	129,897
Computer services	261	70,652	198	71,111	1,429	5,782	7,211	-	78,322
Consultant fees	-	91,435	-	91,435	6,120	-	6,120	-	97,555
Credit card discount expense	245	847	-	1,092	89,666	4,114	93,780	-	94,872
Delivery and shipping	87	2,792	66	2,945	3,467	7,766	11,233	-	14,178
Depreciation	783	7,364	593	8,740	1,970	2,342	4,312	-	13,052
Design and layout	-	4,431	-	4,431	11,500	8,700	20,200	-	24,631
Equipment lease	903	8,487	683	10,073	2,270	3,115	5,385	-	15,458
Gifts, contributions, and awards	35	1,995	27	2,057	1,889	1,091	2,980	-	5,037
Grants	1,490,668	149,990	757,099	2,397,757	-	-	-	-	2,397,757
Honorariums	6,000	250	7,300	13,550	-	1,000	1,000	-	14,550
Insurance	13,863	131,354	10,493	155,710	34,865	41,452	76,317	-	232,027
Legal	1,146	10,775	867	12,788	2,882	3,426	6,308	-	19,096
Maintenance and storage	161	3,255	122	3,538	2,163	480	2,643	-	6,181
Meals and meetings	60	1,552	91	1,703	2,389	285	2,674	-	4,377
Media services	-	970,162	-	970,162	-	-	-	-	970,162
Membership dues and subscriptions	437	11,307	3,790	15,534	4,810	1,416	6,226	-	21,760
Payroll taxes and processing	11,332	106,556	8,577	126,465	28,500	33,884	62,384	-	188,849
Printing and supplies	205	16,401	155	16,761	9,057	17,602	26,659	-	43,420
Professional services	43,424	126,758	4,713	174,895	15,498	404,266	419,764	-	594,659
Promotional materials	-	-	-	-	-	3,174	3,174	-	3,174
Rent	16,600	156,088	12,564	185,252	41,748	49,635	91,383	-	276,635
Retirement	6,308	59,315	4,774	70,397	15,865	18,862	34,727	-	105,124
Salaries	145,885	1,371,719	110,415	1,628,019	366,885	436,200	803,085	-	2,431,104
Site rental	30	283	23	336	700	90	790	23,000	24,126
Software and support	5,624	15,423	75	21,122	12,134	31,895	44,029	-	65,151
Taxes, licenses, and registration fees	231	3,145	175	3,551	5,765	1,590	7,355	-	10,906
Telephone and internet	934	8,778	707	10,419	2,348	2,791	5,139	-	15,558
Temporary services	4,254	40,007	3,220	47,481	10,700	17,999	28,699	-	76,180
Training	364	3,421	275	4,060	915	1,088	2,003	-	6,063
Travel and transportation	869	14,710	660	16,239	2,476	6,048	8,524	-	24,763
	<u>1,750,922</u>	<u>3,644,611</u>	<u>927,823</u>	<u>6,323,356</u>	<u>710,443</u>	<u>1,173,078</u>	<u>1,883,521</u>	<u>142,933</u>	<u>8,349,810</u>
In-kind contributions									
Media services	-	60,275	-	60,275	-	-	-	-	60,275
Other	-	431	-	431	-	1,119	1,119	-	1,550
Contributions for special events	-	-	-	-	-	-	-	144,382	144,382
Total expenses by function	<u>1,750,922</u>	<u>3,705,317</u>	<u>927,823</u>	<u>6,384,062</u>	<u>710,443</u>	<u>1,174,197</u>	<u>1,884,640</u>	<u>287,315</u>	<u>8,556,017</u>
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(287,315)	(287,315)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,750,922</u>	<u>\$ 3,705,317</u>	<u>\$ 927,823</u>	<u>\$ 6,384,062</u>	<u>\$ 710,443</u>	<u>\$ 1,174,197</u>	<u>\$ 1,884,640</u>	<u>\$ -</u>	<u>\$ 8,268,702</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Statement of Cash Flows for the year ended December 31, 2021

Cash flows from operating activities

Change in net assets	\$ 2,114,308
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	13,052
Realized and unrealized gains on investments and change in value of interest in remainder trusts	(1,182,126)
Donated stock	(99,890)
Proceeds from sale of donated stock	99,890
SBA Paycheck Protection Program loan forgiveness	(374,600)
(Increase) decrease in operating assets	
Grants and pledges receivable	(235,341)
Prepaid expenses	(102,546)
Deposits	(67,253)
Deferred compensation plan assets	(98,417)
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	99,128
Grants payable	814,284
Refundable advances	(45,000)
Deferred rent	(27,844)
Deferred compensation plan liabilities	98,417
Net cash provided by operating activities	<u>1,006,062</u>

Cash flows from investing activities

Purchase of property and equipment	(9,950)
Proceeds from sale of investments	32,227
Purchase of investments	(346,292)
Net cash used in financing activities	<u>(324,015)</u>

Net change in cash and cash equivalents

682,047

Cash and cash equivalents, beginning of period

1,066,223

Cash and cash equivalents, end of period

\$ 1,748,270

Supplemental disclosure of cash flow information

Cash paid for interest	\$ -
Income taxes paid	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

1. Organization

Prevent Cancer Foundation (the Foundation) was incorporated in Virginia in 1985 as a non-stock corporation. The Foundation provides support for cancer prevention, research, education and community outreach programs nationwide and plays a pivotal role in developing a body of knowledge that is a basis for important prevention and early detection strategies. The Foundation focuses its resources on those cancers – including lung, breast, prostate, colorectal, cervical, skin, oral and testicular – that can be prevented through lifestyle changes or detection and treatment in the early stages.

The Foundation's sources of revenue include contributions, bequests, in-kind contributions and special events.

2. Significant accounting policies

Basis of accounting

The financial statements of the Foundation are prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is the Foundation's policy not to classify certificates of deposit as cash and cash equivalents.

Grants and pledges receivable

Grants and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncertain amounts through a provision for bad debt expense and an adjustment to a valuation allowance.

Investments

Investments are measured at fair value in the statement of financial position based on publicly available market data obtained from services independent of the Foundation. Investment income or loss (including gains and losses on investments, interest, dividends, and investment fees) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Money market and short-term investment funds, held as a portion of the Foundation's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of cash flows.

Property and equipment

Property and equipment are reported at cost. The Foundation capitalizes purchases over \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. Expenditures for maintenance and repairs are charged to expenses as incurred.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

Compensated absences

Employees of the Foundation are entitled to paid vacation depending on job classification, length of service and other factors. As of December 31, 2021, estimated compensated absences of \$83,422 are included in accounts payable and accrued expenses in the accompanying statement of financial position.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants and pledges receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, deferred rent, refundable advances, and grants payable. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Donor restrictions

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment fund..

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

Refundable advances consisted of contributions received that are conditional upon the occurrence of a specific event. Refundable advances as of December 31, 2021 consisted of \$18,000 for the Gala special event and \$80,000 for the Awesome Games Done Quick event. The Awesome Games Done Quick event was held and conditions were met in January 2022. The Gala is scheduled to be held in the fall 2022, at which time conditions will be met and revenue will be recognized. Refundable advances as of December 31, 2020 consisted of \$18,000 for the Gala special event, \$30,000 for the Awesome Games Done Quick event, and \$15,000 for the Advocacy Workshop. The events were held in 2021, at which time the conditions were met and revenue was recognized.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

Sources of revenue from contracts with customers include an exchange element of tickets purchased for the Foundation's special events and conference registration fees. All sources of revenue from contracts with customers are recognized at the point in time when the event occurs. For the year ended December 31, 2021, the total exchange portion of tickets for the special events was \$107,250, and conference registration fees totaled \$6,522. As of December 31, 2021, there were no performance obligations or contract liabilities remaining.

In-kind goods and services

The Foundation receives donations in the form of free media services that would otherwise be purchased in the normal course of business. Total in-kind media services were \$60,275 for the year ended December 31, 2021. Donated goods are valued based on comparable market rates and donor valuations. The Foundation also receives services and donated goods in connection with special events. These donations are included in both special event revenue and direct expenses on the accompanying statement of activities.

In addition, a substantial number of volunteers donate time to Prevent Cancer Foundation's program services and special events. These donated services are not reflected in the financial statements since the services do not require specialized skills as defined by U.S. GAAP.

Interests in remainder trusts

The Foundation has been named as beneficiary under a split-interest agreement, which are charitable remainder trusts. Irrevocable split-interest agreements are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is based on the fair value of the expected cash flows to be received by the Foundation. The change in value of interests in remainder trusts was \$24,922 for the year ended December 31, 2021.

Advertising costs

Advertising costs are expensed as incurred.

Concentrations of credit and market risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments.

At period-end and throughout the period, the Foundation's cash balances may exceed federally insured limits. Cash and cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents and management does not believe this result in any significant credit risk. FDIC insurance on interest bearing accounts is \$250,000 per depositor, per insured bank. At December 31, 2021, the Foundation's cash balances were approximately \$1,437,584 in excess of federal deposit insurance coverage.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Foundation's investments do not represent significant concentrations of market risk as the Foundation's investment portfolio is adequately diversified among issuers.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

Income taxes

The Foundation is exempt from federal income tax as a non-profit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the year ended December 31, 2021.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. The Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years that remain subject to examination by the IRS are fiscal years 2018 through 2021.

Upcoming accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Foundation plans to adopt the standard on its effective date, which for the Foundation is January 1, 2022.

The FASB has issued ASU 2020-07, which clarifies the presentation and disclosure of contributed nonfinancial assets, which include tangible property, intangible items, and specialized services. Upon implementation, nonprofits will be required to show in-kind contributions of nonfinancial assets as a separate line, apart from cash contributions, on the statement of activities, along with qualitative information about how the organization either monetized or utilized the assets and a description of the valuation techniques used to arrive at the fair value of the assets at initial recognition. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization plans to adopt the standard on its effective date, which for the organization is January 1, 2022, and is evaluating the impact of this statement.

3. Grants and pledges receivable

Grants and pledges receivable consisted of the following as of December 31, 2021:

Pledges - Combined Federal Campaign	\$	22,752
Grants and other pledges receivables		335,508
Allowance for uncollectible amounts		(10,000)
	\$	<u>348,260</u>

Management has estimated the collectability of the remaining outstanding balances from CFC campaigns and recorded an allowance for uncollectible amounts based on historic collections. The entire balance of grants and pledges receivables as of December 31, 2021 is expected to be collected in less than one year.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

4. Investments

Investments valued at fair value are summarized as follows at December 31, 2021:

Cash and money market funds	\$	2,659,013
Fixed income		3,866,530
Equities		6,069,081
Mutual funds		3,680,600
Fair value per statement of financial position	\$	<u>16,275,224</u>

Investment and other income consisted of the following for the year ended December 31, 2021:

Realized and unrealized gains and change in value of interest in remainder trusts	\$	1,182,126
Interest and dividend income		481,744
Investment fees		(66,818)
	\$	<u>1,597,052</u>

5. Property and equipment

Property and equipment consisted of the following at December 31, 2021:

Office furniture and equipment	\$	189,259
Less: accumulated depreciation		(160,804)
Property and equipment, net	\$	<u>28,455</u>

6. Grants awarded

The Foundation recorded grants expense during the year ended December 31, 2021 totaling \$2,397,757. Adjustments to reflect differences between the award and actual payments are made in the year the final payment is made. Grants recorded but unpaid amounted to \$1,661,767 as of December 31, 2021.

The Foundation intended to award \$900,000 of grants in January 2021. However, the award notifications were inadvertently sent to the grant recipients in December 2020. The Organization has included \$900,000 of grants expense in calendar year 2021 that was unconditionally awarded in December 2020. Accounting principles generally accepted in the United States of America require that unconditional promises to give are recorded as an expense and liability as of the date the promise to give is made. If recorded when awarded, grants expense would be reduced by \$900,000 in the accompanying Statement of Functional Expenses and net assets without donor restrictions as of the beginning of the year would be reduced by \$900,000 in the accompanying Statement of Activities.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

7. In-kind contributions

In-kind contributions for the year ended December 31, 2021 consisted of the following:

Public service announcements	\$	60,275
Printing discount		1,550
Other assets		2,000
Contributions for special events		
Design services		85,000
Food and beverage		59,382
	\$	<u>208,207</u>

8. Special events

The Foundation sponsors several special events during the year. The purpose of these events is to raise public awareness about cancer as well as to raise funds to further the Foundation's purpose. A summary of special events for the year ended December 31, 2021 is as follows:

	<u>Revenue</u>	<u>Direct benefit expenses</u>	<u>Other expenses</u>	<u>Net</u>
Gala	\$ 2,091,226	\$ 287,315	\$ 199,697	\$ 1,604,214
Awesome Games	2,900,903	-	263,162	2,637,741
	<u>\$ 4,992,129</u>	<u>\$ 287,315</u>	<u>\$ 462,859</u>	<u>\$ 4,241,955</u>

9. Commitments

The Foundation leases office space in Alexandria, Virginia. The lease expired on April 30, 2022. The unamortized portion of the cumulative difference between the actual rent paid and the straight line rent is reflected as deferred rent liability in the accompanying statement of financial position.

Rent expense for the year ended December 31, 2021 was \$276,636.

During 2021, the Foundation entered into a new lease for office space in Alexandria, Virginia beginning May 1, 2022. The term of the lease is 134 months and the base monthly rent is \$19,483.

Future minimum rentals due under this agreement are as follows as of December 31, 2021:

2022	\$	265,967
2023		238,102
2024		244,632
2025		251,360
2026		258,285
2027 and thereafter		1,860,509
	\$	<u>3,118,856</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

In November 2021, the Foundation entered into a contract with Games Done Quick, LLC to take part in the Awesome Games Done Quick event. The Foundation must pay the costs of staff and contractors used to develop the event. As of December 31, 2021, the Foundation had paid \$250,000 of those costs, which is included with prepaid expenses on the statement of financial position. An additional \$180,454 is to be paid in 2022. For the year ended December 31, 2021, approximately 33% of the Foundation's support and revenue has been derived from the Awesome Games special event. Any changes in the benefitting charity in future years would have a significant impact on Prevent Cancer Foundation.

10. Retirement plan

The Foundation maintains a 401(k) plan. The Foundation makes contributions on behalf of employees in amounts ranging from 3% to 4% of an employee's salary. Contributions in the amount of \$85,624 were made for the year ended December 31, 2021.

The Foundation adopted a 457(b) plan in 2007. Only employees within a select group of management or highly compensated employees chosen by the Board of Directors are eligible to participate. Contributions are made at the sole discretion of the Foundation and do not need to be uniform among all participants. For the year ended December 31, 2021, the President was the only participant in the plan. Contributions in the amount of \$19,500 were made on her behalf for the year ended December 31, 2021. Fair market value of the plan was \$506,139 as of December 31, 2021.

11. Net assets with donor restrictions

Net assets are restricted for specific events as well as for future periods. Net assets with donor restrictions as of December 31, 2021 were as follows:

	December 31, 2020	Additions	Releases	December 31, 2021
Restricted to future periods				
Contributions receivable for the Combined Federal Campaign	\$ 42,868	\$ 22,752	\$ 42,869	\$ 22,751
Interest in remainder trusts	260,104	24,922	-	285,026
	<u>302,972</u>	<u>47,674</u>	<u>42,869</u>	<u>307,777</u>
Restricted for specific activities or purpose				
Think About the Link Campaign	362,500	100,000	214,697	247,803
Educational Campaigns	172,050	1,085,000	1,058,099	198,951
Research Grants	162,695	80,000	162,695	80,000
Celebremos Grants	30,000	40,000	30,000	40,000
Sarah Howard fund	604,148	-	-	604,148
	<u>1,331,393</u>	<u>1,305,000</u>	<u>1,465,491</u>	<u>1,170,902</u>
Endowment earnings subject to spending policy and appropriation	614,835	111,512	-	726,347
Donor-restricted endowment subject to a perpetual restriction	278,413	-	-	278,413
	<u>\$ 2,527,613</u>	<u>\$ 1,464,186</u>	<u>\$ 1,508,360</u>	<u>\$ 2,483,439</u>

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

12. Endowment and board-designated funds

The Foundation has three individual funds established for the purpose of funding research grants and community education (the Funds). The Funds include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The donor-restricted endowment fund was established for the purpose of providing income to support the Foundation's research grant programs. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required to be made by explicit directions in the applicable donor gift instrument at the time the gift is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with restrictions perpetual in nature is classified as net assets with donor restrictions subject to expenditure for a specific purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate additions to donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

UPMIFA applies only to donor-restricted endowment funds and not to board-designated funds.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its Funds while seeking to maintain the purchasing power of the assets. Fund assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board-designated funds. Under the policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to maximize current return and provide growth and income that at a minimum exceeds inflation for the current year. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

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

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by the Foundation vary each year depending on their program needs. Amounts distributed from the Board designated funds are authorized by the Board of Directors and are transferred into the Foundation's operating cash accounts for use during the year. Over the long term, the Foundation expects the current spending policy to allow its Funds to grow and to maintain the Foundation's objective to maintain the purchasing power of the Fund assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Net asset composition by type of fund

The net assets consisted of the following as of December 31, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,004,760	\$ 1,004,760
Board-designated endowment funds	8,597,509	-	8,597,509
	<u>\$ 8,597,509</u>	<u>\$ 1,004,760</u>	<u>\$ 9,602,269</u>

Changes in endowment and board-designated funds

The net activity consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of December 31, 2020	\$ 7,639,570	\$ 893,248	\$ 8,532,818
Investment return, net	957,939	111,512	1,069,451
Contributions	-	-	-
Appropriation of endowments	-	-	-
Endowment funds as of December 31, 2021	<u>\$ 8,597,509</u>	<u>\$ 1,004,760</u>	<u>\$ 9,602,269</u>

Funds with deficiencies

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

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

13. Fair value of financial instruments

The Foundation utilizes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring inputs that are most observable be used when available. Observable inputs are inputs that are independently derived and based on observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying value is considered to be a reasonable estimate of the fair value.

Interest in remainder trusts: The Foundation has interests in irrevocable charitable remainder trusts for which it does not act as trustee. The fair value of these trust assets, which are reported at the market value of the investments reported by the trustees and adjusted based on the estimated life expectancy of the donor, have been identified as Level 3 in the fair value hierarchy. There were no changes in valuation techniques noted for the year ended December 31, 2021. No amounts were transferred during the year ended December 31, 2021; the only change is attributable to the change in value of \$24,922 for the year ended December 31, 2021. A growth rate of 3% and income rate of 4% has been used in the calculation of the present value of these items. The significant unobservable inputs used in the fair value measurement of the Foundation's Level 3 investments are subject to market risks resulting from changes in the market value of its investments.

Mutual funds and ETFs: Prevent Cancer Foundation's holdings in publicly traded mutual funds consist principally of fixed income and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. Valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

Assets measured at fair value on a recurring basis are summarized below as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 2,659,013	\$ -	\$ -	\$ 2,659,013
Fixed income				
Mutual funds - fixed income				
Blackrock Strategic Income	516,800	-	-	516,800
Blackrock Total Return	956,487	-	-	956,487
Dodge & Cox Income Fund	949,426	-	-	949,426
Metropolitan West Unconstrained Bond Fund	503,841	-	-	503,841
Western Asset Return	939,976	-	-	939,976
Equities				
ETF - equity				
Invesco QQQ Trust	951,259	-	-	951,259
iShares MSCI EAFE	810,168	-	-	810,168
iShares Edge MSCI Min Vol USA	642,427	-	-	642,427
iShares Russell Mid-Cap Value	-	-	-	-
iShares Russell Mid-Cap Growth	609,283	-	-	609,283
iShares Russell 1000 Value Index Fund	723,946	-	-	723,946
iShares Russell 1000 Growth Index Fund	1,545,980	-	-	1,545,980
Vanguard FTSE Emerging Markets	234,440	-	-	234,440
Wisdomtree US Quality	551,578	-	-	551,578
Mutual funds - equity				
Federated Hermes Small Cap	521,891	-	-	521,891
Lazard Global Listed Infrastructure	464,232	-	-	464,232
MFS Value Fund Class I	681,316	-	-	681,316
T Rowe Price Growth Stock	369,688	-	-	369,688
T. Rowe Price Value Fund Inc	534,173	-	-	534,173
Mutual Funds				
Blackrock Global Allocation	603,161	-	-	603,161
Interests in remainder trusts	-	-	285,026	285,026
Deferred compensation plan				
Equities - AB Wealth Appreciaton	506,139	-	-	506,139
Total assets, at fair value	\$ 16,275,224	\$ -	\$ 285,026	\$ 16,560,250

14. Liquidity and availability

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

The following table reflects the Foundation's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions:

Cash and cash equivalents	\$ 1,748,270
Grants and pledges receivable	348,261
Investments	<u>6,166,816</u>
Total financial assets available within one year	8,263,347
Less amounts unavailable for general expenditures within one year due to:	
Restrictions by donors for specific activities or purpose	<u>(1,209,115)</u>
Total financial assets available to meet general expenditures within one year:	<u>\$ 7,054,232</u>

The Foundation's board-designated endowment is subject to annual spending as described in Note 12. Although the Foundation does not intend to spend from the endowments (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), the board-designated endowment could be made available if necessary.

15. Related-party transactions

Design services were provided for the Gala by a company owned by a board member. The Foundation paid for a portion of the services during 2020 in the amount of \$37,500. As the 2020 Gala was held virtually, the funds remained in deposits until the year ended December 31, 2021, when they were expensed. The remainder of the fee for services, \$50,462, was paid during the year ended December 31, 2021. Additionally, donated services were provided in the amount of \$85,000 for the year ended December 31, 2021.

During the ordinary course of business for the year ended December 31, 2021, the Foundation paid for legal services from a law firm of which a member of the board of directors is a partner.

16. Allocation of functional expenses and joint costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The following expenses have been allocated across functional areas based on an estimate of time spent by personnel: advertising, computer services, depreciation, equipment lease, insurance, legal, lodging, maintenance, membership and dues, mileage and parking, temporary services, delivery and shipping, professional services, rent, salaries, payroll taxes and processing, retirement, supplies, taxes and licenses, telephone and internet, and training.

The Foundation incurs joint costs for a newsletter that includes a fundraising appeal insert, website costs, and fundraising activities combined with a programmatic health fair. These costs were allocated based on management's analysis of the content of the newsletter, management's analysis of the number of pages on the website, and the duration of the fundraising component and health fair compared to the total time of the event.

See independent auditor's report.

Prevent Cancer Foundation

Notes to Financial Statements December 31, 2021

Joint allocated costs were as follows for the year ended December 31, 2021:

	<u>Fundraising</u>	<u>Program services</u>	<u>Management and general</u>
Newsletter	\$ 911	\$ 3,947	\$ -
5k run	\$ 695	\$ 2,433	\$ -
Website	\$ 241	\$ 3,676	\$ 52

17. SBA Paycheck Protection Program loan

The Foundation obtained a SBA Paycheck Protection Program loan in the amount of \$374,600 in April 2020 as a result of the COVID-19 pandemic. The Foundation complied with the loan requirements and the loan was forgiven in May 2021.

18. Subsequent events

The Foundation assessed events occurring subsequent to December 31, 2021 through July 5, 2022, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustments to or disclosure in the financial statements.

See independent auditor's report.