

**St. Baldrick's Foundation**

Financial Statements

June 30, 2021 and 2020



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of St. Baldrick's Foundation (a nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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, 2021 and 2020, 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.

*Armanino LLP*

Armanino<sup>LLP</sup>  
Los Angeles, California

November 10, 2021



An independent firm  
associated with Moore  
Global Network Limited

St. Baldrick's Foundation  
 Statements of Financial Position  
 June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,941,445	\$ 3,190,184
Cash equivalents and investments - reserves for grants payable	11,948,293	26,527,566
Pledges receivable, net	381,323	448,942
Prepaid expenses and other current assets	233,768	462,521
Website and software development costs, net	1,257,471	1,345,097
Property and equipment, net	6,011	29,374
Security deposits	34,355	34,355
Total assets	\$ 20,802,666	\$ 32,038,039
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 11,514,499	\$ 24,396,736
Accounts payable and accrued expenses	354,297	582,295
Other liabilities	168,019	198,969
Refundable advance - Paycheck Protection Program	-	175,800
Total liabilities	12,036,815	25,353,800
Net assets		
Without donor restrictions	7,712,826	4,541,193
With donor restrictions	1,053,025	2,143,046
Total net assets	8,765,851	6,684,239
Total liabilities and net assets	\$ 20,802,666	\$ 32,038,039

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 Activities  
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	\$ 22,920,615	\$ 1,525,270	\$ 24,445,885
Contributed services and assets	427,076	-	427,076
Net investment return	1,163,597	-	1,163,597
Paycheck Protection Program grant	650,200	-	650,200
Total revenues, gains, and other support	25,161,488	1,525,270	26,686,758
Net assets released from restriction	1,743,334	(1,743,334)	-
Total revenues, gains and other support	26,904,822	(218,064)	26,686,758
Functional expenses			
Childhood cancer research and advocacy	24,092,416	-	24,092,416
Support services			
Management and general	1,576,580	-	1,576,580
Fundraising	8,461,039	-	8,461,039
Total support services	10,037,619	-	10,037,619
Total functional expenses	34,130,035	-	34,130,035
Change in net assets	(7,225,213)	(218,064)	(7,443,277)
Net assets, beginning of year	11,766,406	2,361,110	14,127,516
Net assets, end of year	\$ 4,541,193	\$ 2,143,046	\$ 6,684,239

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  
Statement of Functional Expenses  
For the Year Ended June 30, 2020

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 21,617,193	\$ -	\$ -	\$ 21,617,193
Salaries and benefits	1,073,110	1,058,688	2,722,809	4,854,607
Marketing and publicity	543,356	106	1,630,409	2,173,871
Event promotion costs	-	-	647,140	647,140
Donation processing and bank fees	-	8,856	453,498	462,354
Printing costs	10,552	2,637	39,569	52,758
Occupancy	99,374	94,876	250,288	444,538
Other operating costs	45,447	44,571	96,915	186,933
Professional fees and consultants	241,898	107,414	118,721	468,033
Technology and information systems	296,582	189,575	1,864,337	2,350,494
Meetings, conventions and travel	120,446	8,944	37,635	167,025
Depreciation and amortization	44,458	60,913	599,718	705,089
	<u>\$ 24,092,416</u>	<u>\$ 1,576,580</u>	<u>\$ 8,461,039</u>	<u>\$ 34,130,035</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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 2,081,612	\$ (7,443,277)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	628,037	705,089
Net realized and unrealized gains on sales of investments	(740,570)	(643,843)
Investment fees	38,831	74,327
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	228,753	(32,380)
Pledges receivable	67,619	156,116
Grants payable	(12,882,237)	212,798
Accounts payable and accrued expenses	(227,998)	39,758
Refundable advance - Paycheck Protection Program	(175,800)	175,800
Other liabilities	(30,950)	64,531
Net cash used in operating activities	(11,012,703)	(6,691,081)
Cash flows from investing activities		
Purchases of investments	(2,489,679)	(7,555,481)
Sales of investments	16,297,564	6,099,295
Maturities of fixed income investments	100,000	500,000
Reinvestment of interest and dividend income	(221,813)	(588,418)
Net cash and cash equivalent activity within investment accounts	1,594,940	8,956,185
Purchases of property and equipment	-	(10,076)
Website development costs	(507,624)	(466,483)
Salesforce implementation costs	(9,424)	(135,494)
Net cash provided by investing activities	14,763,964	6,799,528
Net increase in cash and cash equivalents	3,751,261	108,447
Cash and cash equivalents, beginning of year	3,190,184	3,081,737
Cash and cash equivalents, end of year	\$ 6,941,445	\$ 3,190,184

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

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

1. NATURE OF OPERATIONS

St. Baldrick's Foundation (the "Foundation"), a nonprofit entity, was established in 2004 with the ultimate goal of finding cures for childhood cancers and giving survivors long and healthy lives. Volunteers raise funds which are granted for life-saving research and advocacy efforts to raise awareness of the challenges facing child cancer treatments and cures.

The Foundation's signature fundraising event is headshaving, where volunteers, in acts of solidarity, show support for children with cancer. While raising funds, this life-changing activity brings volunteers to the Foundation, engages them in its mission and raises awareness of the many challenges faced by the children, their families, and the doctors and researchers in this community.

In addition to participant-driven fundraising, the Foundation raises funds through direct solicitations, major gifts, planned giving and more. Even before the pandemic, the Foundation was working to diversify its volunteer-powered revenue model, and strengthen relationships with donors. Since the outbreak, it has accelerated and broadened these strategies to enable the organization to withstand external events in the future.

The pandemic had a disastrous impact on the Foundation's charity events. While the Foundation quickly pivoted to offer virtual and hybrid experiences, volunteers overwhelmingly preferred the energy and inspirational format of in person events and largely deferred their efforts for a time when these may safely resume. The limited access to vaccines during the Foundation's peak season (February – April) further stymied volunteer activities. These events are principally supported by restaurants, schools, first responders and hospitals – the audiences most impacted by the pandemic.

Throughout the year, the Foundation has scrutinized its strategy to maximize revenue and every expenditure to be able to fund the maximum number of research grants possible, while ensuring the Foundation endures to fulfill the ultimate mission: curing childhood cancers. Accordingly, the Foundation has entered into lease negotiations to reduce office space and has reduced vendor commitments to better reflect current funding levels.

Throughout this unprecedented global health emergency, a child was diagnosed with cancer every two minutes. To remedy this, the Foundation's priority program is funding the highest quality childhood cancer research grants. Funding decisions, informed by a scientific review process, are more rigorous than most charity funders and involve more than 200 pediatric cancer experts.

The Foundation's research strategy benefits infants, children, teens, and young adults with cancer through its comprehensive grant portfolio that serves every type of childhood cancer, every scientific discipline and stage of research, from the laboratory to the patient's bedside, as well as clinic and lab infrastructure, data sharing between research institutions and the training of pediatric oncology researchers. Via ten major grant categories, the Foundation's rigorous peer-review selection process is considered a national leader and on par with that of the National Cancer Institute.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

1. NATURE OF OPERATIONS (continued)

While the Foundation supports every research hospital that treats children with cancer in the United States, Canada and several other countries, the Foundation has several strategic research partners, foremost among them, is the Children's Oncology Group (the "COG"). The COG is the largest group to provide clinical trials to patients, and the Foundation's robust support has accelerated patient accruals to trials and advances in many diseases. St. Baldrick's also provides a handbook to assist patients and families navigating the complexities of treatment and quality of life issues.

The Foundation's advocacy efforts strive to ensure that government policy surrounding pediatric cancer issues support better outcomes for children with cancer and also increase federal funding for children's cancer research. The Foundation leads a coalition of medical, cancer and childhood cancer organizations to advocate at the federal level. In FY 2022 alone, these efforts resulted in an additional \$80 million in federal funding for childhood cancer research.

The St. Baldrick's Foundation receives no non-emergency funds from the federal government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

The Foundation has implemented Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Foundation has implemented ASU 2014-09 with a date of initial application of July 1, 2020, using the full retrospective method. The implementation of ASU 2014-09 had no impact on the financial statements for the year ended December 31, 2020.

Financial statement presentation

The financial statements of the Foundation have been prepared 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.
- *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.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 IRC. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing 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, 2021 and 2020, the reserve for outstanding grants awarded was \$11,514,499 and \$24,396,736. Cash equivalents and investments - reserves for grants payable exceed the reserves needed to satisfy the grant commitments.

Investments

In response to the uncertainty presented by the pandemic and the desire to ensure reserves are adequate to fund outstanding grant awards, the decision was made to liquidate the Foundation's investments in late January 2021. This allowed the Foundation to realize a net investment return of \$923,552 for the fiscal year and remove the risk of market volatility on reserves for grants payable.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Historically, investments have been 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.

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.

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, 2021 or 2020.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

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.

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:

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

**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.

**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.

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 unrestricted support unless they are received with donor stipulations that limit the use of the donated assets.

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenue and a related expense for the years ended June 30, 2021 and 2020 of \$336,344 and \$377,851, respectively, primarily relating to public relations, advertising, attorney services and management consulting.

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 contributed asset revenue. The Foundation recorded contributed assets for the years ended June 30, 2021 and 2020 of \$1,300 and \$49,225, respectively.

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, 2021 and 2020, the Foundation's grant applications were reviewed by a team medical doctors and researchers who contributed approximately 540 and 2,637 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 \$297,490 and \$454,037 of contributions for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, the Foundation partnered with organizations in multiple countries, including Australia, Bermuda, Germany, Hong Kong, India, Japan, Singapore and the United Kingdom.



St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

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, 2021, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 10, 2021, 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. As mentioned in Note 2, the investment positions subject to market volatility were liquidated in late January 2021 to ensure the Foundation's reserves continue to be adequate to satisfy grant commitments.

Investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,948,293	\$ 13,319,862
Fixed income securities	-	6,879,321
Mutual funds	-	4,961,014
Equities	<u>-</u>	<u>1,367,369</u>
	<u>\$ 11,948,293</u>	<u>\$ 26,527,566</u>

St. Baldrick's Foundation  
Notes to Financial Statements  
June 30, 2021 and 2020

3. INVESTMENTS (continued)

Activity in the investments during the year was as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 26,527,566	\$ 33,369,631
Purchases of investments	2,489,679	7,555,481
Sale of investments	(16,297,564)	(6,099,295)
Net cash and cash equivalent activity within investment accounts	(1,594,940)	(8,956,185)
Interest and dividend income, net of fees \$38,831 and \$74,327, respectively	182,982	514,091
Net realized and unrealized gains on investments	740,570	643,843
Maturities of fixed income investments	<u>(100,000)</u>	<u>(500,000)</u>
Balance, end of year	<u>\$ 11,948,293</u>	<u>\$ 26,527,566</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>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 13,319,862	\$ -	\$ -	\$ 13,319,862
Fixed income securities	-	6,879,321	-	6,879,321
Mutual funds	4,961,014	-	-	4,961,014
Equities	<u>1,367,369</u>	<u>-</u>	<u>-</u>	<u>1,367,369</u>
	<u>\$ 19,648,245</u>	<u>\$ 6,879,321</u>	<u>\$ -</u>	<u>\$ 26,527,566</u>

4. PLEDGES RECEIVABLE

The Foundation expects all outstanding pledges receivable to be collected during the year ended June 30, 2022.

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5. WEBSITE AND SOFTWARE DEVELOPMENT COSTS

Website and software development costs consist of the following:

	2021	2020
Website development	\$ 8,883,079	\$ 8,375,455
Salesforce implementation costs	321,791	312,367
Accumulated amortization	(7,947,399)	(7,342,725)
	\$ 1,257,471	\$ 1,345,097

Amortization expense for the years ended June 30, 2021 and 2020 was \$604,674 and \$660,680, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2021	2020
Equipment	\$ 393,476	\$ 393,476
Furniture and fixtures	12,767	12,767
	406,243	406,243
Accumulated depreciation	(400,232)	(376,869)
	\$ 6,011	\$ 29,374

Depreciation expense for the years ended June 30, 2021 and 2020 was \$23,363 and \$44,409, respectively.

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, 2021 and 2020, the Foundation has committed to continuing grants for Fellows, Scholars, International Scholars, and Consortia aggregating \$11,514,499 and \$24,396,736, respectively, that are scheduled to be disbursed through June 30, 2022. 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.

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7. GRANTS PAYABLE (continued)

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, 2021, the interest rate applied was 0.25%. Amortization of the discount is included in grant expense.

Future maturities of grants payable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 10,576,843
2023	<u>940,000</u>
	11,516,843
Less: discounts to net present value	<u>(2,344)</u>
	<u>\$ 11,514,499</u>

8. COMMITMENT

At June 30, 2021, the Foundation is obligated under a noncancelable operating lease for office space that is set to expire June 30, 2024. In addition, the Foundation is responsible for its applicable share of the landlord's direct expenses over the terms of the lease. The Foundation has entered into lease negotiations to reduce office space. A Letter of Intent has been signed by both parties regarding the reduction in office space.

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

<u>Year ending June 30,</u>	
2022	\$ 407,175
2023	456,784
2024	<u>469,976</u>
	<u>\$ 1,333,935</u>

Rent expense for the years ending June 30, 2021 and 2020 totaled \$442,808 and \$444,538, respectively.

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9. 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 also matches 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 contributed \$84,473 and \$321,726 to the plan for the years ended June 30, 2021 and 2020.

10. RELATED PARTY

For the year ended June 30, 2021, the Foundation received approximately \$184,209 in contributions from members of the Board of Directors and approximately \$14,455 in contributions from employees. For the year ended June 30, 2020, the Foundation received approximately \$601,917 in contributions from members of the Board of Directors and approximately \$25,309 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.

11. 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 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:

	2021	2020
Cash and cash equivalents	\$ 6,941,445	\$ 3,190,184
Cash equivalents and investments - reserves for grants payable	11,948,293	26,527,566
	18,889,738	29,717,750
Grants payable	(11,514,499)	(24,396,736)
	\$ 7,375,239	\$ 5,321,014

Assets available for general expenditure represent approximately ten months of operating expenditures at June 30, 2021 and six months of operating expenditures at June 30, 2020.

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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2021	2020
Purpose restricted	\$ 577,617	\$ 1,213,173
Purpose restricted for 18 months	463,009	480,931
Time restricted	12,399	448,942
	\$ 1,053,025	\$ 2,143,046

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.

13. PAYCHECK PROTECTION PROGRAM

In April 2020, the Foundation was approved for a Paycheck Protection Program ("PPP") loan under the U.S. Small Business Administration ("SBA") in the amount of \$826,000 to help keep its workforce employed during the COVID-19 crisis. Under the Coronavirus Aid, Relief, and Economic Security ("CARES") act, the SBA will forgive the loan if employees are kept on payroll for either eight or twenty-four weeks and the funds are used for payroll, rent, mortgage interest, or utilities. The loan had a maturity of two years and an interest rate of 1%. During the year ended June 30, 2021, the entire loan amount was forgiven.

In January 2021, the Foundation was approved for a second PPP loan ("PPP 2") under the SBA in the amount of \$832,915 to help keep its workforce employed during the COVID-19 crisis under similar terms as the first PPP loan. The loan has a maturity of two years and an interest rate of 1%. The Foundation expects the entirety of this loan amount to be forgiven.

The Foundation has concluded the PPP loans represent, in substance, grants that are expected to be forgiven and is accounting for the advances in accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, as conditional contributions under which (1) proceeds from the loans are initially recorded as a refundable advance, and (2) the refundable advance is reduced and the contribution is recognized when the conditions of release have been substantially met or explicitly waived. As the Foundation believed it had met the PPP's eligibility criteria for expenditures made as of June 30, 2020, the Foundation recognized expenditures of \$650,200 and the remaining \$175,800 was recognized as a liability as of June 30, 2020. During the year ended June 30, 2021, the Foundation recognized expenditures of \$175,800 related to the first PPP loan. Additionally, during the year ended June 30, 2021, the Foundation recognized expenditures of \$832,915 related to PPP 2 as the Foundation believes it has met the eligibility criteria.

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14. RISKS AND UNCERTAINTIES

The Foundation's operations may be adversely affected by health epidemics including the recent coronavirus outbreak. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Foundation is headquartered, have declared a state of emergency.

The Foundation itself was able to transition to a work from home environment within days of California's governor issuing a Stay at Home order on March 19, 2020 due to prior investments in technology. The Foundation's peer to peer, events based and primary fundraising model has been disrupted by the pandemic and related restrictions on gatherings. As such, the Foundation developed opportunities for virtual events on multiple social platforms as an alternative fundraising option for events. Although the Foundation continues to monitor and assess the effects of the COVID-19 pandemic on the Foundation, the ultimate impact of the COVID-19 outbreak or similar health epidemic is highly uncertain and subject to change.

As variants of the pandemic have emerged, the Foundation has continued to adapt its "offerings" of engagement opportunities to meet changing needs, while ensuring that expenditures prioritize opportunities to maximize revenue and fund more research. The Foundation just launched a new live-streaming program to engage content creators as fundraisers for childhood cancer research, and is actively considering other fundraising programs for the future. 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. 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.

September 2021 (Childhood Cancer Awareness Month) witnessed the return of two prominent and long-standing St. Baldrick's head shaving events. Both of these achieved their successful fundraising results to date – surpassing \$1.5 million in combined revenue. Plans for a strong Giving Tuesday (November 30, 2021) and year-end appeal are underway, and Foundation employees are working with volunteers to schedule events for 2022 which the Foundation anticipates will be well-supported as volunteers have expressed an eagerness to return to the cause they care so much about.