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**SARCOMA FOUNDATION OF AMERICA, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**



**SARCOMA FOUNDATION OF AMERICA, INC.**

**YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sarcoma Foundation of America, Inc.  
Damascus, Maryland

We have audited the accompanying financial statements of Sarcoma Foundation of America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Sarcoma Foundation of America, Inc. as of December 31, 2019, 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.

**Emphasis of Matters – Adoption of New Accounting Standards**

As discussed in Note 2 to the financial statements, effective January 1, 2019 Sarcoma Foundation of America, Inc. adopted new accounting guidance in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Accounting Standards Codification (ASC) 606), as well as ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

*E. Cohen and Company, CPAs*

August 6, 2020

**SARCOMA FOUNDATION OF AMERICA, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 1,678,101
Contributions receivable, net of allowance for doubtful accounts of \$25,000	160,357
Prepaid expenses	<u>53,149</u>
<b>Total current assets</b>	<u>1,891,607</u>
Property and equipment	
Leasehold improvements	78,190
Machinery and equipment	34,262
Furniture	13,443
Website	<u>39,000</u>
Total property and equipment	164,895
Accumulated depreciation	<u>(68,467)</u>
<b>Net property and equipment</b>	<u>96,428</u>
Investments	<u>5,371,823</u>
Other assets	
Donated jewelry	10,000
Deposits	<u>5,466</u>
<b>Total other assets</b>	<u>15,466</u>
<b>Total assets</b>	<u><u>\$ 7,375,324</u></u>

**SARCOMA FOUNDATION OF AMERICA, INC.**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019**

**LIABILITIES AND NET ASSETS**

Current liabilities	
Grants payable	\$ 774,265
Accounts payable	38,188
Accrued expenses	51,541
Deferred lease incentive, current	<u>10,546</u>
<b>Total current liabilities</b>	<u>874,540</u>
Long-term liabilities	
Deferred lease incentive, noncurrent	<u>55,367</u>
<b>Total liabilities</b>	<u>929,907</u>
Net assets	
Without donor restrictions	
Designated by the board	1,118,245
Designated by the board for endowment	<u>312,567</u>
Total designated by the board	1,430,812
Undesignated	<u>2,637,445</u>
Total without donor restrictions	4,068,257
With donor restrictions	<u>2,377,160</u>
<b>Total net assets</b>	<u>6,445,417</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 7,375,324</u></u>

**SARCOMA FOUNDATION OF AMERICA, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues			
Grants and contributions	\$ 1,243,503	\$ 30,000	\$ 1,273,503
Special events	2,459,438	75,500	2,534,938
Costs of direct benefit to donors	(489,209)	-	(489,209)
Investment gain, net	615,265	20,975	636,240
Other revenue	13,772	-	13,772
Net assets released from restrictions	730,000	(730,000)	-
<b>Total revenues</b>	<b>4,572,769</b>	<b>(603,525)</b>	<b>3,969,244</b>
Expenses			
Program services	2,637,111	-	2,637,111
Management and general	343,493	-	343,493
Fundraising	334,457	-	334,457
<b>Total expenses</b>	<b>3,315,061</b>	<b>-</b>	<b>3,315,061</b>
<b>Change in net assets</b>	<b>1,257,708</b>	<b>(603,525)</b>	<b>654,183</b>
Net assets, beginning of year	2,810,549	2,980,685	5,791,234
<b>Net assets, end of year</b>	<b>\$ 4,068,257</b>	<b>\$ 2,377,160</b>	<b>\$ 6,445,417</b>

See notes to financial statements.

**SARCOMA FOUNDATION OF AMERICA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 2,008,432	\$ -	\$ -	\$ 2,008,432
Payroll, payroll taxes and benefits	346,162	132,336	53,421	531,919
Professional fees	26,017	127,875	64,213	218,105
Special events	-	-	110,082	110,082
Printing and reproduction	49,839	1,497	46,493	97,829
Promotional materials	47,009	1,141	13,450	61,600
Occupancy	36,899	14,106	5,695	56,700
Office expense	19,652	17,568	8,641	45,861
Software	15,034	5,017	22,702	42,753
Telephone and internet	20,520	4,141	1,672	26,333
Bad debt	-	25,000	-	25,000
Travel	15,918	1,201	2,343	19,462
Registration fees	9,971	3,811	1,539	15,321
Conferences and meetings	10,667	1,413	1,298	13,378
Dues and subscriptions	12,150	1,184	-	13,334
Depreciation	7,790	2,979	1,202	11,971
Repairs and maintenance	5,326	2,036	822	8,184
Insurance	4,151	1,587	641	6,379
Miscellaneous	1,574	601	243	2,418
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total expenses	<u>\$ 2,637,111</u>	<u>\$ 343,493</u>	<u>\$ 334,457</u>	<u>\$ 3,315,061</u>



**SARCOMA FOUNDATION OF AMERICA, INC.**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019**

Cash flows from operating activities	
Changes in net assets	\$ 654,183
Adjustments to reconcile changes in net assets to cash provided by operating activities	
Realized and unrealized gain on investments	(516,479)
Depreciation	11,971
Bad debt	25,000
(Increase) decrease in:	
Contributions receivable	(31,734)
Prepaid expenses	(8,796)
Other assets	(11,450)
Increase (decrease) in:	
Grants payable	246,097
Accounts payable	(2,320)
Accrued expenses	(80,107)
Deferred lease incentive	65,913
<b>Net cash provided by operating activities</b>	<u>352,278</u>
Cash flows from investing activities	
Purchase of property and equipment	(85,555)
Purchase of investments	(1,184,390)
Proceeds from sale of investments	933,234
<b>Net cash used in investing activities</b>	<u>(336,711)</u>
Net increase in cash and cash equivalents	15,567
<b>Cash and cash equivalents, beginning of year</b>	<u>1,662,534</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,678,101</u></u>

# SARCOMA FOUNDATION OF AMERICA, INC.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

### 1. Organization and summary of significant accounting policies

#### Organization

Sarcoma Foundation of America, Inc. (the Organization) was incorporated on August 10, 2000, under the laws of the State of Maryland. The Organization has been approved for tax exempt status under Section 501(c)(3) of the internal Revenue Code (IRC).

The mission of Sarcoma Foundation of America, Inc. is to advocate for sarcoma patients by funding research and by increasing awareness about the disease. The organization raises money to privately fund grants for sarcoma researchers and conducts education and advocacy efforts on behalf of sarcoma patients.

#### Basis of accounting

The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for various purposes as described in Note 10.

*Net assets with donor restrictions* – 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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

#### Cash and cash equivalents

Cash equivalents are defined as highly-liquid short-term debt instruments whose maturity dates do not extend past three months from the original date of purchase. As of December 31, 2019, the organization held \$942,852 of such investments.

# SARCOMA FOUNDATION OF AMERICA, INC

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

### 1. Organization and summary of significant accounting policies (continued)

#### **Financial risk**

The Organization maintains its cash in bank accounts which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash. Amounts in excess of federally insured limits at December 31, 2019 approximated \$1,079,000.

The Organization invests in professionally managed portfolios that contain various investment securities. Such investments are exposed to various market risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

#### **Contributions receivable and allowance for doubtful accounts**

Contributions receivable are carried at their original amount less an estimate for doubtful accounts based on review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was \$25,000 at December 31, 2019. Contributions receivable reported as current are expected to be collectible in less than one year. Contributions receivable reported as non-current are collectible in one to five years.

#### **Investments**

Investments are carried at fair value as of the date of the statement of financial position, which may differ from the amount ultimately realized at the time of sale. Realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets. Dividend and interest income are recorded on the accrual basis.

#### **Property and equipment**

All purchases of property and equipment in excess of \$500 are capitalized at cost and depreciated using the straight-line method over their estimated useful lives ranging from three to seven years. Costs of repairs and maintenance are expensed as incurred.

#### **Endowment funds**

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 relating to endowments. Management has determined that the Organization's funds with donor-imposed restrictions, and funds designated by the Board of Directors, meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and FASB ASC 958.

# SARCOMA FOUNDATION OF AMERICA, INC

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

### 1. Organization and summary of significant accounting policies (continued)

#### **Grant expenses**

Grant expense is recognized in the period the grant is countersigned, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments.

#### **Revenue recognition**

Contributions are recognized at fair value when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Donated equipment and materials, if any, are reflected in the accompanying financial statements at their estimated fair values at the date of donation.

#### **Income taxes**

No provision has been made for income taxes, since the Organization has been determined to be exempt from income tax pursuant to IRC Section 501(c)(3). There was no unrelated business taxable income during the year.

The Organization adopted the FASB ASC 740-10, *Income Taxes*, which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. For the year ended December 31, 2019, the Organization has determined that no material uncertain tax positions exist requiring either recognition or disclosure in the financial statements. No returns are currently under examination.

#### **Advertising costs**

The Organization follows a policy of charging the costs of advertising to expense as incurred. Advertising expense was \$61,600 for the year ended December 31, 2019, which included donated advertising of \$33,432.

#### **Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Functional allocation of expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Costs that can be identified with a particular program or supporting function are charged directly to that program function. Expenses that are not specifically identified are allocated among programs and supporting services benefitted.

# SARCOMA FOUNDATION OF AMERICA, INC

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

### 1. Organization and summary of significant accounting policies (continued)

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Depreciation	Time and effort
Rent	Time and effort
Other office expense	Time and effort

#### **Contributed services**

Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2019, contributed services totaled \$33,432, and are included in grants and contributions in the statement of activities and changes in net assets.

#### **Pending accounting standards**

Effective for its annual financial statements for 2021 and thereafter, the Organization expects to adopt new accounting standards issued by FASB that will require significant changes in accounting for leases under which the Organization is a lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments.

The quantitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

### 2. Adoption of new accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606). This ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance within U.S. GAAP. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with clients or outside parties. The Organization adopted ASC 606 effective January 1, 2019, the first day of the Organization's fiscal year, using the modified retrospective approach.

The results of applying ASC 606, using the modified retrospective approach, did not have a material impact on the statement of financial position, statement of activities and changes in net assets, cash flows, business processes, controls or systems of the Organization. There was no impact on the opening balance of net assets resulting from the adoption of this ASU.

## SARCOMA FOUNDATION OF AMERICA, INC

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 2. Adoption of new accounting standards (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance distinguishing between exchange transactions (which are covered under ASC 606) and contributions, as well as providing additional clarification related to conditional contributions. The Organization adopted ASU 2018-08 effective January 1, 2019, the first day of the Organization's fiscal year, in conjunction with its adoption of ASC 606. The ASU was adopted on a modified prospective basis, as permitted by the ASU. The results of applying ASU 2018-08 using the modified prospective basis did not have a material impact on the statement of financial position, statement of activities and changes in net assets, cash flows, business processes, controls or systems of the Organization.

#### 3. Liquidity and availability

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

Total assets at year end	\$ 7,375,324
Less: Prepaid expenses and other assets	(68,615)
Property and equipment, net	(96,428)
Net assets with donor restrictions	(2,377,161)
Net assets with board designations	<u>(1,430,812)</u>
Financial assets available for general expenditure	<u>\$ 3,402,308</u>

The Organization's working capital and cash flows fluctuate during the year attributable mainly to the timing of annual cash receipts from special events and contributions.

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Income from the board-designated endowment is intended to be used for specific purposes. Donor-restricted endowment funds are not available for general expenditure. Although the Organization does not intend to spend from their board-designated endowment, these amounts could be made available if necessary.

# SARCOMA FOUNDATION OF AMERICA, INC

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

### 4. Investments

Investments at December 31, 2019, consist of mutual funds, marketable securities, corporate bonds and a certificates of deposit in the amount of \$5,371,823.

Investment income is reported net of related investment expenses in the statement of activities and changes in net assets. Investment income consisted of the following for the year ended December 31, 2019:

Realized and unrealized gain	\$ 516,479
Dividends and interest	157,167
Investment fees	<u>(37,406)</u>
Investment gain, net	<u>\$ 636,240</u>

Return objective and risk parameters: The overall Organization's objective is to earn a long-term, risk-adjusted total rate of return to support the designated programs. The Organization recognizes and accepts that pursuing such a goal involves risk and potential volatility. The Organization targets a diversified asset allocation that places a greater emphasis on mutual funds to achieve its long-term return objectives within prudent risk constraints. The Organization has established a portfolio asset allocation. While the asset allocation can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns. The Organization has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

### 5. Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

## SARCOMA FOUNDATION OF AMERICA, INC

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 5. Fair value measurements (continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable inputs for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

*Mutual fund:* Valued at daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Marketable securities:* Valued at the closing quoted market price.

*Corporate bonds:* Valued at present value of future interest payments and the bond's value upon maturity.

*Certificates of deposit:* Valued at fair value by discounting the related cash flows based on current yield of similar instruments with comparable duration considering the credit worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



**SARCOMA FOUNDATION OF AMERICA, INC**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**5. Fair value measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2019. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	Investments at Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 3,259,301	\$ 3,259,301	\$ -	\$ -
Marketable securities	1,746,567	1,746,567	-	-
Corporate bonds	325,096	-	325,096	-
Certificates of deposit	40,859	-	40,859	-
Total	\$ 5,371,823	\$ 5,005,868	\$ 365,955	\$ -

For the year ended December 31, 2019, there were no significant transfers between Levels 1, 2, or 3.

**6. Leases**

The Organization leased its main facility under a non-cancelable operating lease which expired on April 30, 2019. The Organization continued the lease month-to-month before signing a new operating lease effective July 3, 2019 to increase the location's square footage. The new lease is effective for 78 months. The Organization was also provided a tenant allowance toward leasehold improvements. At December 31, 2019, deferred lease incentive was \$65,913.

Rent expense under the operating lease for the year ended December 31, 2019, was \$49,675. Future minimum lease payments under the lease at December 31, 2019, are as follows:

Year Ending December 31,	Amount
2020	\$ 75,187
2021	77,443
2022	79,766
2023	82,159
2024	84,624
2025 and thereafter	109,495
Total	\$ 508,674

## SARCOMA FOUNDATION OF AMERICA, INC

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 7. Retirement plan

The Organization has a SIMPLE IRA plan covering all employees that earn over \$5,000 during the plan year. Employees are eligible to make elective deferrals following the date of hire. Employer non-elective contributions are 2% of each participants' eligible compensation up to Internal Revenue Service (IRS) compensation limits. The Organization's non-elective contribution for the year ended December 31, 2019 was \$8,726.

#### 8. Related party transactions

In 2017, a \$100,000 pledge was made from a related party, of which \$75,000 has already been collected. The remaining contribution receivable of \$25,000 at December 31, 2019 is expected to be received in spring of 2020.

#### 9. Net assets with donor restrictions

Net assets with donor restrictions include donor-restricted funds and other funds, which are only available for certain program activities. Certain net assets with donor restrictions were released from restriction during the year ended December 31, 2019, due to the purpose for the restriction being accomplished.

Net assets with temporary donor restrictions are available for the following purposes as of December 31, 2019:

Aronsohn Memorial Fund for ULMS Research	\$ 1,808,468
Aronsohn Memorial Fund for General Sarcoma Research	293,483
Donor restricted endowment - corpus	176,878
Donor restricted endowment - investment gain/loss	18,332
Donor restricted endowment - pledge not received	25,000
Jay Vernon Jackson Memorial Research Award	30,000
Epizyme Sponsorship Gala	<u>25,000</u>
Total	<u>\$ 2,377,161</u>

## SARCOMA FOUNDATION OF AMERICA, INC

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 10. Board-designated net assets

The board has designated net assets without donor restrictions for the following purposes as of December 31, 2019:

STL Cure Sarcoma Research Award Fund	\$ 122,004
RTCS Cure Sarcoma Research Award Fund	607,422
Spring for Sarcoma Award Fund	23,693
Zach Cohen Award Fund	139,625
Pittsburgh Cure Sarcoma Research Award Fund	87,553
Amira Yunis Research Award Fund	112,948
Catherine Malatesta Research Award Fund	25,000
Board-designated endowment - corpus	281,785
Board-designated endowment - investment gain/loss	<u>30,782</u>
Total	<u>\$ 1,430,812</u>

#### 11. Endowment

The Organization's endowment funds consist of funds established for supporting innovative research proposals whose results could lead to the development of new and better drugs or biologic agents for the treatment of sarcoma. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board has interpreted UPMIFA to mean that the recognition of donated funds as endowment funds applies to temporarily restricted endowments, where the principal is available for expenditure with a prudent annual draw devoted to specific activities or general operations, as specified by the donor. The Organization's Board has also established a board-designated endowment.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The earnings on the donor-restricted endowment fund is classified as net assets with donor restrictions 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 Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and the other resources of the Organization.

**SARCOMA FOUNDATION OF AMERICA, INC**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**11. Endowment (continued)**

The Organization has a policy of appropriating for distribution when income and earnings from the principal exceed the sum of \$50,000 for research grants. If the income and earnings have not exceeded \$50,000, appropriations may be made for partial grants supplemented with other funding sources. When the total assets of the endowment reach the sum of \$1,000,000, the endowment annually distributes a management fee of one percent of the total assets in the endowment. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, and the possible effects of inflation.

The Organization is authorized to reduce the corpus by the amount of net realized and unrealized losses incurred by the endowment in any year in which there are such losses.

Endowment net assets composition by type of fund:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<u>December 31, 2019</u>			
Donor-restricted endowment funds	\$ -	\$ 195,210	\$ 195,210
Board-designated endowment funds	<u>312,567</u>	<u>-</u>	<u>312,567</u>
 Total funds	 <u>\$ 312,567</u>	 <u>\$ 195,210</u>	 <u>\$ 507,777</u>

The changes in endowment net assets for 2019 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2019	<u>\$ 166,496</u>	<u>\$ 123,735</u>	<u>\$ 290,231</u>
Investment return:			
Investment income	7,277	4,568	11,845
Net realized/unrealized gain	<u>26,307</u>	<u>16,407</u>	<u>42,714</u>
Total investment return	33,584	20,975	54,559
Contributions	<u>112,487</u>	<u>50,500</u>	<u>162,987</u>
 Endowment net assets, December 31, 2019	 <u>\$ 312,567</u>	 <u>\$ 195,210</u>	 <u>\$ 507,777</u>

## SARCOMA FOUNDATION OF AMERICA, INC

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 12. In-kind contributions

During the year ended December 31, 2019, the Organization received donated items valued at approximately \$55,000 for various silent auctions. In addition to the silent auction items, the Organization was also given \$1,000 worth of bags which were used for the STL 6K event, as well as \$10,000 worth of jewelry, which the Organization intends to use in future silent auctions. The Organization received \$33,432 in donated advertising services during the year ended December 31, 2019. No other amounts have been included in the financial statements for donated services for financial oversight and bookkeeping as none meet the requirements for recording such services.

#### 13. Concentrations

Three donors represented approximately 40% of the Organization's outstanding contributions receivable balance at December 31, 2019. Management believes credit risk with regard to these donors is limited as a majority of these funds have been subsequently collected.

#### 14. Allocation of joint costs

In 2019, the Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included direct mail campaigns and special events. Joint costs incurred were \$208,746 for the year ended December 31, 2019. These joint costs were allocated as follows:

Program	\$ 77,737
Management & General	22,936
Fundraising	<u>108,073</u>
Total	<u>\$ 208,746</u>

#### 15. Subsequent events

Management has evaluated events or transactions that occurred after December 31, 2019 through August 6, 2020, the date the financial statements were available to be issued. Management of the Organization has determined that there were no subsequent events or transactions that should be disclosed in the financial statements with the exceptions stated below.

## SARCOMA FOUNDATION OF AMERICA, INC

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

#### 15. Subsequent events (continued)

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a result, certain events planned by the Organization had to be postponed and restructured to virtual events. Further, the recent volatility and overall decline in market values of the investments resulting from the pandemic may have a significant impact on the Organization's assets. The Organization is working diligently to mitigate any financial losses and has been able to continue operations in a remote environment, however, at this point, the extent to which COVID-19 may impact the Organization's results of operations is uncertain. The Organization is taking proactive steps to minimize expenses and adjust to the changing economics during the period of uncertainty so that it is prepared to resume regular activities in the future.

On March 27, 2020, the US Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Under the provisions of the Paycheck Protection Program (PPP) (as established by the CARES Act), certain qualifying businesses were able to request SBA-guaranteed loans, which may be forgiven in their entirety provided certain conditions are met. In April 2020, the Organization applied for, and received, an \$84,000 SBA-guaranteed loan under the provisions of the PPP. The Organization is currently applying to have the loan forgiven according to the terms of the CARES Act.