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SARCOMA FOUNDATION OF AMERICA, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

SARCOMA FOUNDATION OF AMERICA, INC.

YEAR ENDED DECEMBER 31, 2020

Table of Contents

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements	
Statement of financial position	3 - 4
Statement of activities and changes in net assets	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8 – 19



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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, 2020, 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, 2020, 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.

E. Cohen and Company, CPAs

August 30, 2021

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,076,812
Contributions receivable	121,119
Other receivable, current	4,500
Prepaid expenses	30,695
	<hr/>
Total current assets	2,233,126
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Property and equipment	
Leasehold improvements	78,190
Machinery and equipment	34,262
Furniture	13,443
Website	39,000
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Total property and equipment	164,895
Accumulated depreciation	(86,301)
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Net property and equipment	78,594
	<hr/>
Investments	5,469,698
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Other assets	
Donated jewelry	10,000
Other receivable, noncurrent	54,871
Deposits	4,566
	<hr/>
Total other assets	69,437
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Total assets	\$ 7,850,855
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SARCOMA FOUNDATION OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2020

LIABILITIES AND NET ASSETS

Current liabilities	
Grants payable	\$ 175,182
Accounts payable	8,637
Accrued expenses	62,262
Deferred rent and lease incentive, current	<u>14,238</u>
Total current liabilities	<u>260,319</u>
Long-term liabilities	
Deferred rent and lease incentive, noncurrent	<u>48,657</u>
Total liabilities	<u>308,976</u>
Net assets	
Without donor restrictions	
Designated by the board	1,331,952
Designated by the board for endowment	<u>463,859</u>
Total designated by the board	1,795,811
Undesignated	<u>3,397,829</u>
Total without donor restrictions	5,193,640
With donor restrictions	<u>2,348,239</u>
Total net assets	<u>7,541,879</u>
Total liabilities and net assets	<u><u>\$ 7,850,855</u></u>

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions	\$ 1,306,517	\$ 25,000	\$ 1,331,517
Special events	1,361,327	-	1,361,327
Costs of direct benefit to donors	(59,863)	-	(59,863)
Investment gain, net	497,675	21,079	518,754
Other revenue	398	-	398
Net assets released from restrictions	75,000	(75,000)	-
Total revenues	3,181,054	(28,921)	3,152,133
Expenses			
Program services	1,586,185	-	1,586,185
Management and general	314,690	-	314,690
Fundraising	154,796	-	154,796
Total expenses	2,055,671	-	2,055,671
Change in net assets	1,125,383	(28,921)	1,096,462
Net assets, beginning of year	4,068,257	2,377,160	6,445,417
Net assets, end of year	\$ 5,193,640	\$ 2,348,239	\$ 7,541,879

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Direct Benefits to Donors	Total
Grants	\$ 848,516	\$ -	\$ -	\$ -	\$ 848,516
Payroll, payroll taxes and benefits	450,317	159,715	49,075	-	659,107
Professional fees	46,518	80,219	35,750	-	162,487
Special events	-	-	49,313	59,863	109,176
Occupancy	58,131	20,618	6,335	-	85,084
Promotional materials	45,664	16,196	4,976	-	66,836
Software	52,278	-	-	-	52,278
Office expense	20,693	7,123	2,940	-	30,756
Telephone and internet	6,922	13,377	754	-	21,053
Depreciation	12,185	4,321	1,328	-	17,834
Registration fees	9,592	3,402	1,045	-	14,039
Dues and subscriptions	13,018	-	-	-	13,018
Printing and reproduction	7,621	2,341	2,057	-	12,019
Repairs and maintenance	5,828	2,067	635	-	8,530
Insurance	5,242	1,859	571	-	7,672
Bad debt	-	3,398	-	-	3,398
Travel	2,718	-	-	-	2,718
Conferences and meetings	789	-	-	-	789
Miscellaneous	153	54	17	-	224
Total expenses	1,586,185	314,690	154,796	59,863	2,115,534
Less expenses included with revenues on the statement of activities	-	-	-	(59,863)	(59,863)
Total functional expenses	\$ 1,586,185	\$ 314,690	\$ 154,796	\$ -	\$ 2,055,671

See independent auditor's report and notes to financial statements.

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities	
Changes in net assets	\$ 1,096,462
Adjustments to reconcile changes in net assets to cash provided by operating activities	
Realized and unrealized gain on investments	(440,118)
Depreciation	17,834
(Increase) decrease in:	
Contributions receivable	37,422
Other receivable	(57,555)
Prepaid expenses	22,454
Deposits	900
Increase (decrease) in:	
Grants payable	(599,083)
Accounts payable	(29,551)
Accrued expenses	10,721
Deferred rent and lease incentive	(3,018)
Net cash provided by operating activities	<u>56,468</u>
Cash flows from investing activities	
Proceeds from sale of investments	1,224,303
Purchase of investments	<u>(882,060)</u>
Net cash provided by investing activities	<u>342,243</u>
Net increase in cash and cash equivalents	398,711
Cash and cash equivalents, beginning of year	<u>1,678,101</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,076,812</u></u>

SARCOMA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

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, including cash and cash equivalents in the investment portfolio. As of December 31, 2020, the Organization held \$1,727,198 of cash equivalents.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

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, 2020, approximated \$57,000.

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 risks. 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

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. There was no allowance for doubtful accounts at December 31, 2020, because management believes that all receivables are fully collectible.

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. Leasehold improvements are amortized over the estimated economic life of the improvements or the estimated remaining term of the lease, whichever is shorter. 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 which are included in net assets with donor restrictions, 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, 2020

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, 2020, 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 \$66,836 for the year ended December 31, 2020, which included donated advertising of \$46,850.

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, 2020

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, 2020, contributed services totaled \$46,850, 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 2022 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. 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	\$ 7,850,855
Less: Prepaid expenses and other assets	(100,632)
Property and equipment, net	(78,594)
Net assets with donor restrictions	(2,348,239)
Net assets with board designations	<u>(1,795,811)</u>
Financial assets available for general expenditure	<u>\$ 3,527,579</u>

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

2. Liquidity and availability (continued)

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.

3. Investments

Investments at December 31, 2020, consist of mutual funds, marketable securities, and corporate bonds in the amount of \$5,469,698.

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, 2020

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.

4. Other receivable

Other receivable consists of amount expected to be received from an event management company for a deposit paid for an event that was cancelled in 2020 due to the pandemic. Per the agreement with the event management company, \$59,371 will be received in the next two years. The Organization expects to receive \$4,500 during 2021 and \$54,871 in 2022.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

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.

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, 2020.

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.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

5. Fair value measurements (continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2020. 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, 2020			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 3,401,286	\$ 3,401,286	\$ -	\$ -
Marketable securities	2,008,238	2,008,238	-	-
Corporate bonds	60,174	-	60,174	-
Total	<u>\$ 5,469,698</u>	<u>\$ 5,409,524</u>	<u>\$ 60,174</u>	<u>\$ -</u>

For the year ended December 31, 2020, there were no significant transfers between Levels 1, 2, or 3.

6. 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, 2020 was \$10,889.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

7. Office lease

The Organization leases its office space under a non-cancelable operating lease which expires on March 31, 2026. The Organization was also provided a tenant allowance toward leasehold improvements. At December 31, 2020, the deferred lease incentive balance was \$55,367 and deferred rent balance was \$7,528.

Rent expense under the operating lease for the year ended December 31, 2020, was \$72,543. Future minimum lease payments under the lease at December 31, 2020, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	77,443
2022	79,766
2023	82,159
2024	84,624
2025	87,162
2026	<u>22,333</u>
Total	<u>\$ 433,487</u>

8. 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, 2020, 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, 2020:

Aronsohn Memorial Fund for ULMS Research	\$ 1,808,467
Aronsohn Memorial Fund for General Sarcoma Research	243,483
Jay Vernon Jackson Memorial Research Award	55,000
Donor restricted endowment - corpus	201,878
Donor restricted endowment - investment gain/loss	<u>39,411</u>
Total	<u>\$ 2,348,239</u>

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

9. Board-designated net assets

The board has designated net assets without donor restrictions for the following purposes as of December 31, 2020:

RTCS Cure Sarcoma Research Award Fund	\$ 1,062,847
Amira Yunis Research Award Fund	112,947
STL Cure Sarcoma Research Award Fund	65,286
Pittsburgh Cure Sarcoma Research Award Fund	32,554
Spring for Sarcoma Award Fund	28,693
Zach Cohen Award Fund	29,625
Board-designated endowment - corpus	392,030
Board-designated endowment - investment gain/loss	<u>71,829</u>
Total	<u>\$ 1,795,811</u>

10. 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 are 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, 2020

10. Endowment (continued)

The Organization has a policy of appropriating for distribution as research grants when income and earnings from the principal exceed the sum of \$50,000. 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:

	Without donor restrictions	With donor restrictions	Total
<u>December 31, 2020</u>			
Donor-restricted endowment funds	\$ -	\$ 241,289	\$ 241,289
Board-designated endowment funds	463,859	-	463,859
 Total funds	\$ 463,859	\$ 241,289	\$ 705,148

The changes in endowment net assets for 2020 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, January 1, 2020	\$ 312,567	\$ 195,210	\$ 507,777
Investment return:			
Investment income	6,377	3,284	9,661
Net realized/unrealized gain	34,670	17,795	52,465
Total investment return	41,047	21,079	62,126
Contributions	110,245	-	110,245
Reclassification to specified purpose fund	-	25,000	25,000
 Endowment net assets, December 31, 2020	\$ 463,859	\$ 241,289	\$ 705,148

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

11. In-kind contributions

During the year ended December 31, 2020, the Organization received donated items valued at approximately \$17,530 for various silent auctions. The Organization received \$46,850 in donated advertising services during the year ended December 31, 2020.

12. Joint costs

In 2020, 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 \$82,038 for the year ended December 31, 2020. These joint costs were allocated as follows:

Program	\$ 34,879
Management & General	8,812
Fundraising	<u>38,347</u>
Total	<u>\$ 82,038</u>

13. Forgivable loan – Paycheck Protection Program

On April 21, 2020, the Organization was granted a loan from Sandy Spring Bank (Lender) in the amount of \$84,300 pursuant to the Paycheck Protection Program (PPP) under the federal Cares Act. The PPP loan, which is in the form of a note dated April 21, 2020, matures on April 21, 2022, bears interest at a rate of 1.0% per annum, and is payable monthly beginning on November 21, 2020. The Organization may prepay the note at any time prior to maturity with no prepayment penalty. The Organization may be eligible for forgiveness of all or a portion of the loan amount, including accrued interest on the forgiven portion, by providing evidence that the loan proceeds were used to fund eligible costs, during either an eight or twenty-four week period, and that additional criteria for forgiveness have been met. Any amount not forgiven will be payable, in full and including interest, on April 21, 2022; however, the Organization may negotiate with the lender to extend the maturity date to April 21, 2025.

The Organization is accounting for the proceeds as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities - Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. As of December 31, 2020, the Organization has expended 100% of the proceeds for eligible expenses during the covered period of the loan and fulfilled the additional forgiveness criteria under the Program, including FTE and wage reduction requirements and exceptions. The Organization submitted the loan forgiveness application to the Lender on January 19, 2021 and received loan forgiveness confirmation on May 4, 2021. As a result, the Organization has recognized grant revenue in the amount of \$84,300 for the year ended December 31, 2020.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

14. Risks and uncertainties

In early March 2020, there was a global outbreak of COVID-19 that has resulted in changes in the global supply and demand for certain products and services. These changes, including a potential economic downturn and any potential resulting direct and indirect negative effects on the Organization cannot be determined, but they could have a prospective material impact on the Organization's activities, cash flows and liquidity. Nonetheless, the Organization will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate.

15. Subsequent events

Management has evaluated events or transactions that occurred after December 31, 2020 through August 30, 2021, 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 exception of the PPP loan forgiveness disclosed in the Note 13 and the matter stated below.

Effective January 1, 2021, the Organization adopted a 403(b) defined contributions plan covering all employees of the Organization. Employees are eligible to make elective deferrals following the date of hire. The plan provides for discretionary employer contributions which will be determined as a uniform percentage of compensation for all eligible participants.