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SARCOMA FOUNDATION OF AMERICA, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

SARCOMA FOUNDATION OF AMERICA, INC.

YEAR ENDED DECEMBER 31, 2022

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

Opinion

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, 2022, 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.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sarcoma Foundation of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Organization adopted new accounting standards in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

E. Cohen and Company, CPAs

May 4, 2023

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,471,740
Contributions receivable	164,128
Other receivable, current	6,000
Prepaid expenses	<u>45,521</u>
Total current assets	<u>2,687,389</u>
Property and equipment	
Leasehold improvements	78,190
Machinery and equipment	49,919
Furniture	13,443
Website	<u>39,000</u>
Total property and equipment	180,552
Accumulated depreciation and amortization	<u>(119,283)</u>
Net property and equipment	<u>61,269</u>
Investments	<u>6,782,147</u>
Other assets	
Right-of-use asset, net	222,510
Donated jewelry	10,000
Other receivable, noncurrent	38,871
Deposits	<u>3,416</u>
Total other assets	<u>274,797</u>
Total assets	<u><u>\$ 9,805,602</u></u>

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2022

LIABILITIES AND NET ASSETS

Current liabilities	
Grants payable	\$ 106,449
Accounts payable	34,033
Accrued expenses	129,321
Operating lease liability, current portion	<u>78,575</u>
Total current liabilities	<u>348,378</u>
Long-term liabilities	
Operating lease liability, net of current portion	<u>190,798</u>
Total liabilities	<u>539,176</u>
Net assets	
Without donor restrictions	
Designated by the board	883,578
Designated by the board for endowment	<u>620,555</u>
Total designated by the board	1,504,133
Undesignated	<u>5,865,678</u>
Total without donor restrictions	7,369,811
With donor restrictions	<u>1,896,615</u>
Total net assets	<u>9,266,426</u>
Total liabilities and net assets	<u><u>\$ 9,805,602</u></u>

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants and contributions of cash and other financial assets	\$ 2,182,535	\$ 135,000	\$ 2,317,535
Contributions of non-financial assets	53,996	-	53,996
Special events	1,589,109	-	1,589,109
Costs of direct benefits to donors	(261,450)	-	(261,450)
Investment loss, net	(858,692)	(38,818)	(897,510)
Other revenue	641	-	641
Net assets released from restrictions	321,040	(321,040)	-
Total revenues	3,027,179	(224,858)	2,802,321
Expenses			
Program services	2,162,071	-	2,162,071
Management and general	356,641	-	356,641
Fundraising	339,851	-	339,851
Total expenses	2,858,563	-	2,858,563
Change in net assets	168,616	(224,858)	(56,242)
Net assets, beginning of year	7,201,195	2,121,473	9,322,668
Net assets, end of year	\$ 7,369,811	\$ 1,896,615	\$ 9,266,426

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Direct Benefits to Donors</u>	<u>Total</u>
Payroll, payroll taxes and benefits	\$ 761,004	\$ 239,411	\$ 126,292	\$ -	\$ 1,126,707
Grants	1,074,949	-	-	-	1,074,949
Special events	-	-	154,744	261,450	416,194
Professional fees	34,460	53,053	21,973	-	109,486
Occupancy	57,310	18,030	9,511	-	84,851
Promotional materials	57,016	17,937	9,462	-	84,415
Office expense	31,028	10,069	6,172	-	47,269
Software	42,349	-	-	-	42,349
Telephone	18,372	1,931	1,019	-	21,322
Travel	21,241	-	-	-	21,241
Repairs and maintenance	13,143	4,135	2,181	-	19,459
Depreciation and amortization	11,803	3,713	1,959	-	17,475
Registration fees	9,344	2,940	1,551	-	13,835
Printing and reproduction	6,922	3,118	3,773	-	13,813
Conferences and meetings	12,350	-	-	-	12,350
Insurance	6,334	1,993	1,051	-	9,378
Dues and subscriptions	3,456	-	-	-	3,456
Miscellaneous	990	311	163	-	1,464
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	2,162,071	356,641	339,851	261,450	3,120,013
Less expenses included with revenues on the statement of activities and changes in net assets	-	-	-	(261,450)	(261,450)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	<u>\$ 2,162,071</u>	<u>\$ 356,641</u>	<u>\$ 339,851</u>	<u>\$ -</u>	<u>\$ 2,858,563</u>

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

SARCOMA FOUNDATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities	
Change in net assets	\$ (56,242)
Adjustments to reconcile change in net assets to cash provided by operating activities	
Realized and unrealized loss on investments	982,784
Depreciation and amortization of property and equipment	17,475
Amortization of operating right-of-use asset	65,792
(Increase) decrease in:	
Contributions receivable	27,089
Other receivable	10,000
Prepaid expenses	34,691
Deposits	(528)
Increase (decrease) in:	
Grants payable	(17,343)
Accounts payable	(16,026)
Accrued expenses	39,525
Operating lease liability	<u>(74,970)</u>
Net cash provided by operating activities	<u>1,012,247</u>
Cash flows from investing activities	
Proceeds from sale of investments	870,282
Purchases of investments	(2,187,151)
Purchases of property and equipment	<u>(10,669)</u>
Net cash used in investing activities	<u>(1,327,538)</u>
Net decrease in cash and cash equivalents	(315,291)
Cash and cash equivalents, beginning of year	<u>2,787,031</u>
Cash and cash equivalents, end of year	<u>\$ 2,471,740</u>
Supplemental disclosures of noncash investing and financing activities	
Operating lease right-of-use asset upon ASC 842 implementation	<u>\$ 288,302</u>
Operating lease liability upon ASC 842 implementation	<u>\$ (344,343)</u>

SARCOMA FOUNDATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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 9.

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, 2022, the Organization held \$1,200,903 of cash equivalents.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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, 2022, approximated \$1,145,000.

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, 2022, 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, 2022

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

Revenue recognition

The Organization recognizes revenue from contributions in accordance with ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Grants and 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. There were no conditional promises received for the year ended December 31, 2022.

In-kind contributions

Contributions of tangible assets are recognized at fair value when received. 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, 2022, contributed services totaled \$53,996 and are included in contributions of non-financial assets in the statement of activities and changes in net assets. The valuation of these services was provided by the service provider, who estimates the fair value on the actual time incurred.

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.

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, 2022, 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.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

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

Advertising costs

The Organization follows a policy of charging the costs of advertising to expense as incurred. Advertising expense was \$84,415 for the year ended December 31, 2022, which included donated advertising of \$53,996.

Right-of-use asset and lease liability

The Organization determines if an arrangement is a lease at inception. Leases are included as a right-of-use (ROU) asset and operating lease liability in the statement of financial position. The ROU asset and operating lease liability were recognized at January 1, 2022, based on the present value of lease payments over the lease term using the Organization's estimated incremental borrowing rate or lease implicit rate, when readily determinable. The ROU asset is amortized over the lease term and is reflected as occupancy expense in the accompanying statement of functional expenses. The lease liability is reduced as cash payments are made under the terms of the lease.

Use of estimates

The preparation of financial statements in conformity with U.S. 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.

The expenses that are allocated include the following:

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

2. Adoption of new accounting standards

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases* (ASC 842). The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Organization generally does not have access to the rate

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

2. Adoption of new accounting standards (continued)

implicit in the lease, and therefore, elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability. The adoption of ASC 842 resulted in the recognition of a right-of-use asset, net of deferred rent and lease incentives, of \$288,302 and an operating lease liability of \$344,343 as of January 1, 2022. Results for periods beginning prior to January 1, 2022, continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of ASC 842 did not have a material impact on the Organization's results of activities and cash flows. See Note 8.

Effective for its annual financial statements for 2022 and thereafter, the Organization adopted, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The new standard is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions if cash or other financial assets, along with expanded disclosure requirements.

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	\$ 9,805,602
Less: Prepaid expenses and other assets	(97,808)
Property and equipment, net	(61,269)
Right-of-use asset, net	(222,510)
Net assets with donor restrictions	(1,896,615)
Net assets with board designations	<u>(1,504,133)</u>

Financial assets available for general expenditure	<u>\$ 6,023,267</u>
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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 its board-designated endowment, these amounts could be made available if necessary.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

4. Other receivable

The other receivable consists of an 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, the company will make monthly payments of \$500 until the full amount is paid in full. The Organization expects to receive \$6,000 during 2023 and \$38,871 in 2024 and thereafter.

5. Investments and fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. The framework 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 (e.g., quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in inactive markets)

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, 2022.

Mutual funds: 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.

Fixed-income funds: Valued at the closing quoted market price.

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

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

5. Investments and fair value measurements(continued)

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, 2022. 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, 2022			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 3,676,463	\$ 3,676,463	\$ -	\$ -
Marketable securities	1,641,410	1,641,410	-	-
Fixed-income funds	1,464,274	1,464,274	-	-
Total	<u>\$ 6,782,147</u>	<u>\$ 6,782,147</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2022, there were no significant transfers between Levels 1, 2, or 3.

Investment loss is reported net of related investment expenses in the statement of activities and changes in net assets. Investment loss consisted of the following for the year ended December 31, 2022:

Realized and unrealized loss	\$ (982,784)
Dividends and interest	125,588
Investment fees	<u>(40,314)</u>
Investment loss, net	<u>\$ (897,510)</u>

Return objective and risk parameters: The Organization's overall 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.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

6. Retirement plan

The Organization sponsors a 403(b) defined contribution plan covering all employees of the Organization. Employees are eligible to make elective deferrals following the date of hire. The plan provides for a discretionary employer contribution which is determined as a uniform percentage of compensation for all eligible participants. During 2022, the Organization provided a discretionary contribution 4% to all eligible employees. Total discretionary employer contributions were \$36,846 for the year ended December 31, 2022.

7. Operating lease

The Organization leases its office space under a non-cancelable operating lease which expires on March 31, 2026. The lease calls for an annual rent escalation of 3.0%. The Organization was also provided a tenant allowance toward leasehold improvements. The Organization generally does not have access to the rate implicit in the lease, and therefore the Organization utilizes a risk-free rate of 1.58% as the discount rate for computing the present value of lease liability. Total rent expense under this operating lease was \$70,787 for the year ended December 31, 2022.

As of December 31, 2022, maturities of the operating lease liability are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 82,159
2024	84,624
2025	87,162
2026	<u>22,332</u>
Total future lease payments	276,277
Less amount representing interest	<u>(6,904)</u>
Present value of lease liability	269,373
Less lease liability, current portion	<u>(78,575)</u>
Lease liability, non-current	<u>\$ 190,798</u>

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

8. Net assets with donor restrictions

Net assets with donor restrictions include donor-restricted 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, 2022, 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, 2022:

Aronsohn Memorial Fund for ULMS Research	\$ 1,358,468
Aronsohn Memorial Fund for General Sarcoma Research	193,482
Mickey Stachel Memorial Research Fund	55,000
Jay Vernon Jackson Memorial Research Fund	5,000
Donor restricted endowment - corpus	251,878
Donor restricted endowment - investment gain	<u>32,787</u>
Total	<u>\$ 1,896,615</u>

9. Board-designated net assets

The Board has designated net assets without donor restrictions for the following purposes as of December 31, 2022:

RTCS Cure Sarcoma Research Award Fund	\$ 617,069
Technoblade Fundraiser Research Fund	266,509
Board-designated endowment - corpus	572,030
Board-designated endowment - investment gain	<u>48,525</u>
Total	<u>\$ 1,504,133</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.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

10. Endowment (continued)

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.

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:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<u>December 31, 2022</u>			
Donor-restricted endowment funds	\$ -	\$ 284,665	\$ 284,665
Board-designated endowment funds	<u>620,555</u>	<u>-</u>	<u>620,555</u>
Total funds	<u>\$ 620,555</u>	<u>\$ 284,665</u>	<u>\$ 905,220</u>

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

10. Endowment (continued)

The changes in endowment net assets for 2022 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2022	\$ 593,714	\$ 298,483	\$ 892,197
Investment return:			
Investment income	17,906	7,885	25,791
Net realized/unrealized loss	<u>(106,065)</u>	<u>(46,703)</u>	<u>(152,768)</u>
Total investment return	(88,159)	(38,818)	(126,977)
Contributions	<u>115,000</u>	<u>25,000</u>	<u>140,000</u>
Endowment net assets, December 31, 2022	<u>\$ 620,555</u>	<u>\$ 284,665</u>	<u>\$ 905,220</u>

11. Joint costs

In 2022, the Organization conducted activities that included requests for contributions, as well as program services, and management and general components. Those activities included direct mail campaigns and special events. Joint costs incurred were \$61,064 for the year ended December 31, 2022. These joint costs were allocated as follows:

Program services	\$ 25,823
Management and General	8,250
Fundraising	<u>26,991</u>
Total	<u>\$ 61,064</u>

12. Risks and uncertainties

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue operations; however, at this point, the extent to which COVID-19 will impact the Organization's financial condition or results of operations remains uncertain. The Organization will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate.

SARCOMA FOUNDATION OF AMERICA, INC

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

13. Subsequent events

Management has evaluated events or transactions that occurred after December 31, 2022, and through May 4, 2023, 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.