

St. Baldrick's Foundation

Financial Statements

June 30, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of St. Baldrick's Foundation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 St. Baldrick's Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 St. Baldrick's Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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



Armanino^{LLP}
St. Louis, Missouri

December 4, 2023

St. Baldrick's Foundation
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 3,094,324	\$ 3,893,798
Investments	18,741,432	16,975,680
Contributions receivable, net	1,285,115	714,920
Prepaid expenses and other current assets	356,477	366,322
Website and software development costs, net	920,606	961,405
Property and equipment, net	33,568	18,001
Operating lease right-of-use asset	1,228,541	-
Security deposits	34,355	34,355
Total assets	\$ 25,694,418	\$ 22,964,481
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 12,401,137	\$ 12,269,860
Accounts payable and accrued expenses	410,173	370,524
Other liabilities	57,430	195,277
Operating lease liability	1,351,617	-
Total liabilities	14,220,357	12,835,661
Net assets		
Without donor restrictions	10,203,103	8,448,633
With donor restrictions	1,270,958	1,680,187
Total net assets	11,474,061	10,128,820
Total liabilities and net assets	\$ 25,694,418	\$ 22,964,481

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 20,017,337	\$ 3,168,750	\$ 23,186,087
Contributed services and assets	381,725	-	381,725
Net investment return	<u>477,201</u>	<u>-</u>	<u>477,201</u>
Total revenues, gains, and other support	20,876,263	3,168,750	24,045,013
Net assets released from restriction	<u>3,577,979</u>	<u>(3,577,979)</u>	<u>-</u>
Total revenues, gains and other support	<u>24,454,242</u>	<u>(409,229)</u>	<u>24,045,013</u>
Functional expenses			
Childhood cancer research and advocacy	<u>15,684,597</u>	<u>-</u>	<u>15,684,597</u>
Support services			
Management and general	1,591,420	-	1,591,420
Fundraising	<u>5,634,438</u>	<u>-</u>	<u>5,634,438</u>
Total support services	<u>7,225,858</u>	<u>-</u>	<u>7,225,858</u>
Total functional expenses	<u>22,910,455</u>	<u>-</u>	<u>22,910,455</u>
Change in net assets from operations	1,543,787	(409,229)	1,134,558
Employee retention tax credit	<u>210,683</u>	<u>-</u>	<u>210,683</u>
Change in net assets	1,754,470	(409,229)	1,345,241
Net assets, beginning of year	<u>8,448,633</u>	<u>1,680,187</u>	<u>10,128,820</u>
Net assets, end of year	<u>\$ 10,203,103</u>	<u>\$ 1,270,958</u>	<u>\$ 11,474,061</u>

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

St. Baldrick's Foundation
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions	\$ 20,473,247	\$ 2,070,939	\$ 22,544,186
Contributed services and assets	512,198	-	512,198
Net investment return	19,401	-	19,401
Total revenues, gains, and other support	21,004,846	2,070,939	23,075,785
Net assets released from restriction	1,443,777	(1,443,777)	-
Total revenues, gains and other support	22,448,623	627,162	23,075,785
Functional expenses			
Childhood cancer research and advocacy	14,681,010	-	14,681,010
Support services			
Management and general	1,554,620	-	1,554,620
Fundraising	5,477,186	-	5,477,186
Total support services	7,031,806	-	7,031,806
Total functional expenses	21,712,816	-	21,712,816
Change in net assets	735,807	627,162	1,362,969
Net assets, beginning of year	7,712,826	1,053,025	8,765,851
Net assets, end of year	\$ 8,448,633	\$ 1,680,187	\$ 10,128,820

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

St. Baldrick's Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 14,021,309	\$ -	\$ -	\$ 14,021,309
Salaries and benefits	951,457	936,301	2,138,135	4,025,893
Marketing and publicity	86,780	12	260,377	347,169
Event promotion costs	-	-	397,349	397,349
Donation processing and bank fees	-	7,541	402,376	409,917
Printing costs	3,227	807	12,104	16,138
Occupancy	79,363	77,041	176,893	333,297
Other operating costs	38,615	54,402	78,665	171,682
Professional fees and consultants	130,026	86,776	75,837	292,639
Technology and information systems	288,043	398,170	1,506,015	2,192,228
Meetings, conventions and travel	65,395	11,489	26,547	103,431
Depreciation and amortization	20,382	18,881	560,140	599,403
	<u>\$ 15,684,597</u>	<u>\$ 1,591,420</u>	<u>\$ 5,634,438</u>	<u>\$ 22,910,455</u>

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

St. Baldrick's Foundation
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Childhood Cancer Research and Advocacy	Management and General	Fundraising	Total
Grants	\$ 12,994,714	\$ -	\$ -	\$ 12,994,714
Salaries and benefits	876,157	844,224	1,991,668	3,712,049
Marketing and publicity	121,501	55	364,666	486,222
Event promotion costs	-	-	313,567	313,567
Donation processing and bank fees	-	8,802	406,091	414,893
Printing costs	2,784	696	10,441	13,921
Occupancy	92,288	88,372	209,124	389,784
Other operating costs	36,396	53,873	78,921	169,190
Professional fees and consultants	158,093	70,767	20,092	248,952
Technology and information systems	321,810	463,025	1,550,592	2,335,427
Meetings, conventions and travel	55,889	3,541	9,317	68,747
Depreciation and amortization	21,378	21,265	522,707	565,350
	<u>\$ 14,681,010</u>	<u>\$ 1,554,620</u>	<u>\$ 5,477,186</u>	<u>\$ 21,712,816</u>

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

St. Baldrick's Foundation
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 1,345,241	\$ 1,362,969
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	599,403	565,350
Loss from disposal of property and equipment	-	63,464
Donated securities	(68,251)	(73,861)
Reduction in carrying amount of right-of-use lease asset - operating	284,292	-
Changes in operating assets and liabilities		
Contributions receivable, net	(570,195)	(333,597)
Prepaid expenses and other current assets	9,845	(132,554)
Grants payable	131,277	755,361
Accounts payable and accrued expenses	39,649	16,227
Other liabilities	(9,327)	27,258
Operating lease liability	(289,736)	-
Net cash provided by operating activities	<u>1,472,198</u>	<u>2,250,617</u>
Cash flows from investing activities		
Sale of investments	78,479	63,883
Reinvestment of interest and dividend income	(475,980)	(17,409)
Net cash and cash equivalent activity within investment accounts	(1,300,000)	(5,000,000)
Purchases of property and equipment	(29,677)	(20,645)
Website development costs	(544,494)	(324,093)
Net cash used in investing activities	<u>(2,271,672)</u>	<u>(5,298,264)</u>
Net decrease in cash and cash equivalents	(799,474)	(3,047,647)
Cash and cash equivalents, beginning of year	<u>3,893,798</u>	<u>6,941,445</u>
Cash and cash equivalents, end of year	<u>\$ 3,094,324</u>	<u>\$ 3,893,798</u>

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

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

1. NATURE OF OPERATIONS

St. Baldrick's Foundation (the "Organization"), a charitable entity, was established in 2004 with the ultimate goal of finding cures for childhood cancers and giving survivors long and healthy lives. The Organization pursues its mission by funding the most promising childhood cancer research and advocating for increased federal funding and improved policies around childhood cancer issues. A rigorous scientific review process is used to determine which projects will be funded, and the St. Baldrick's Foundation is proud to have received the National Cancer Institute Peer Review Funder designation for selection of grants.

The Organization has played a role in virtually every advancement in the field of childhood cancer research for more than 20 years, by training the next generation of researchers; supporting key medical, technical and data infrastructure which enables greater collaboration between researchers and institutions; and supporting every phase of research, from basic science and translational research to clinical trials.

Unlike many organizations that are funded by a wealthy individual or family, the Organization's research is funded by the efforts of thousands of volunteers who lead community-based and online fundraising events. The Organization also raises funds through other traditional programs such as major and planned gifts.

The pandemic made public fundraising events difficult to execute effectively, and the revenue shortfall experienced in Fiscal Year ("FY") 2020 and FY 2021 reflected that. While the FY 2022 fundraising rebound resulted in a 10-point increase or 17.2% improvement in the program expense ratio over the prior year, fundraising conditions did not change significantly in FY 2023. The larger economic climate demands the Organization maintain a conservative posture with respect to financial investments and use of budget.

The Organization has continued to honor all its commitments to researchers throughout this recovery. The Organization remains committed to supporting the research in communities where our volunteers live and work, at the hospitals that treat America's children with cancer.

The Organization salutes the leaders, communities and industries that returned in FY 2023, and remains grateful for this generosity, which has enabled more lifesaving research to be supported this year to Conquer Kids' Cancer!

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Directors of management for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or by the expiration of stipulated time. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or increases in net assets without donor restrictions unless their use is explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Investment income (loss) (e.g. interest and dividends and realized and unrealized gains (losses)) with donor-imposed restrictions that are met in the same year as earned are also reported as net assets without donor restrictions.

Income tax status

The Internal Revenue Service has determined that the Organization is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Organization considers all highly-liquid financial instruments with an original maturity of three months or less to be cash equivalents, except those which have been classified as investments.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of risk

The Organization's bank balances generally exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

Reserves

The Organization's policy is to fully reserve funding for grants awarded at the time the grant commitment is made. This policy provides the financial commitment to its researchers that these vital research projects can be completed without regard to future unforeseen events. This policy remains in place and a priority for the Organization even through the financial challenges brought on by the pandemic's impact on fundraising.

As of June 30, 2023 and 2022, outstanding grants awarded were \$12,401,137 and \$12,269,860, respectively. Investments exceed the reserves needed to satisfy the grant commitments.

Investments

Investments are monitored by the Board of Directors' finance and investment committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

The Organization's Board of Directors (the "Board") has adopted an investment policy whereas all investments will be made through highly liquid investments, invested with the view towards preservation of capital, with a weighted average life no longer than three years, and will be made only through the permissible asset mix as defined in the policy. Currently, the Organization is holding only cash equivalents in treasury trust funds.

Accounting Standards Codification ("ASC") Topic *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. Under this topic, the Organization must report its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Website and software development costs

The Organization recognizes the costs incurred in the development of the Organization's custom website, which includes the public website, the member's management portal, the Organization's staff's management tool, and proprietary contribution and event software in accordance with ASC Topic *Intangibles-Goodwill and Other*. Accordingly, direct costs incurred during the application stage of development are capitalized and amortized over the estimated useful life, which is 36 months or less. Fees for website hosting and costs of operating the website are expensed as incurred.

Property and equipment

Property and equipment are recorded at cost. Property and equipment are being depreciated using the straight-line method over estimated lives of three to five years. Repairs and maintenance are charged to expenses as incurred.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provisions were recorded by the Organization during the years ended June 30, 2023 or 2022.

Grants

Complex research projects can require a commitment of up to three to five years of funding. The Organization records appropriations for grants as a liability and expense after approval by the Board, based upon a professional review system (see "Nature of Operations" note above).

With COVID-19's dramatic impact on the Organization's fundraising events, management worked with the Organization's scientific advisors to determine the most critical use of limited grant funds, pausing some funding categories until revenues recover. The following grant categories are currently being funded:

Fellowships (funded for 2-3 years) fund the training of new medical doctors to specialize in pediatric cancer research. During these years, the Fellow engages in a specific research project under the guidance of a mentor.

Scholar Awards (funded for 3-5 years) are for early career pediatric oncology researchers conducting specific research projects. These younger professionals might otherwise be unable to pursue their new ideas, as they must compete with more established experts for extremely scarce funding.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

Consortium grants (funded for 1-5 years) are awarded to groups of researchers from multiple institutions who are collaborating on large research projects. Only continuing consortium grants are being funded; new consortium funding is suspended at this time.

Cooperative research funding is granted to the Children's Oncology Group ("COG"), with funds distributed to its more than 200 member institutions to support clinical trials, thereby funding virtually every institution qualified to treat childhood cancers in the United States and Canada.

International Scholar Awards (funded for 3-5 years) are for researchers from low- to middle-income countries to train in the U.S. or other developed countries, then return to pursue research and offer a higher quality of care to patients in their home countries.

International beneficiary grants (1 year) are for organizations outside the U.S., supporting research or funds to help patients in these countries where the Organization has a fundraising presence.

Infrastructure grants (1 year) are for resources to make more research possible, often funding a clinical research associate who ensures more options are available for patients to participate in clinical trials.

The EPICC Grant (Empowering Pediatric Immunotherapies for Childhood Cancer), building on the success of the **St. Baldrick's - Stand Up To Cancer Pediatric Cancer Dream Team**, bringing together the fields of immunotherapy and genomics to find cures for multiple types of pediatric cancer.

Research grants were brought back in 2023. These are 2-year hypothesis-driven research projects focused on new and better treatments for childhood cancers.

Partnership RFA Grants were also added in 2023. Supported with contributions from individuals and charity partners and administered by the Organization, the first of these \$1.5 million, 3-year grants, was the Fight Osteosarcoma Together (FOT) Super Grant, chosen after scientific review of research applications resulting from a Request for Proposals.

The remaining suspended grant types address a vital need in childhood cancer research which the Organization is working to resume as soon as revenues recover sufficiently:

Summer Fellowships cover a small stipend for medical school or college students to spend a summer conducting research under expert guidance in a pediatric oncology research laboratory. The objective is for these students to accomplish meaningful work while also inspiring them to choose pediatric cancer research as their specialty.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

Supportive care research grants are for 1-year projects, often conducted by research nurses, for research to improve patient care, symptom management, psychosocial care, compliance with therapy, survivorship issues, and more.

The St. Baldrick's Robert J. Arceci Innovation Award (funded for 3 years) is in memory of Dr. Robert J. Arceci. These awards are based on nominations of U.S./Canadian and international early- to mid-career scientists, whose work reflects his values of creativity, collaboration, and impact.

In addition to the above standard grant opportunities, the Organization works with major donors of \$1 million or more to issue special Requests for Applications ("RFAs") to seek out grant applications, conduct a scientific review, and fund research in a specific disease or area of research interest.

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending upon the absence or presence of donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor imposed barriers have been met by the Organization and there is no longer a right of return or release. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, current aging of contributions receivable and changes in current economic conditions. No allowance for doubtful contributions receivable was recorded as of June 30, 2023 and 2022.

Contributed services and assets

Contributed services are reported at the estimated fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills, and (3) are services which would typically be purchased if not provided by donation. The Organization recorded contributed services primarily relating to public relations, advertising, attorney services and management consulting. Contributed services recognized are valued at the estimated fair value of current rates for similar professional services.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and assets (continued)

Contributed assets consist of items for fundraising events and other items for operations which are recorded at fair value at the date of the gift, as contributions. Contributed assets are valued based on estimates of retail values that would be received for selling similar products. The Organization's policy related to contributed assets is to utilize the assets given to carry out the mission of the Organization. All contributed assets received by the Organization for the years ended June 31, 2023 and 2022 were considered without donor restrictions and able to be used by the Organization as determined by management.

Contributed services and assets consisted of the following:

	2023	2022
Professional services	\$ 351,833	\$ 505,809
Donated goods	29,892	6,389
	\$ 381,725	\$ 512,198

Volunteers

A number of volunteers, including members of the Board, have made significant contributions of time to the Organization's policymaking, program, fundraising and support functions. In particular, for the years ended June 30, 2023 and 2022, the Organization's grant applications were reviewed by a team of medical doctors and researchers who contributed approximately 1,710 and 603 hours, respectively. The number varies based upon the number of grant applications and the specific expertise required to review each. The value of this contributed time does not meet the criteria for recognition of contributed services as detailed above and, therefore, is not reflected in the accompanying statements of activities.

Partnerships with foreign organizations

Recognizing that childhood cancer knows no boundaries, the Organization carefully partners with pediatric cancer nonprofits worldwide in order to ensure that research needs in countries participating in pediatric cancer research are supported or that other needs of pediatric cancer patients are addressed in countries not participating in research. The Organization provides support and expertise in fundraising in order to maximize fundraising efforts in the countries that want assistance.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Partnerships with foreign organizations (continued)

In countries where the Organization's events are held, the Organization partners with vetted and approved foreign organizations to direct funds to what the Organization views as the best research available in that country or the next best need if research is not performed in that country. The Organization's support and partnerships generated approximately \$266,342 and \$306,028 of contributions for the years ended June 30, 2023 and 2022, respectively. During the year ended June 30, 2023, the Organization partnered with organizations from Bermuda and Hong Kong.

Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be directly identified with a program or other supporting services are charged accordingly. Expenses such as salaries and benefits have been allocated among program services and supporting services based upon the employees estimated time spent by function. Other expenses allocated based on the estimated employees' time allocation are occupancy and over half of other operating costs.

Change in accounting principle

In February 2016, the FASB issued ASC Topic 842, *Leases* ("ASC 842"), to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, initial lease liabilities of \$1,641,353 which represents the present value of the remaining operating lease payments, discounted using the risk-free rate of 2.88% and a right-of-use asset of \$1,512,833.

St. Baldrick's Foundation
Notes to Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The standard had a material impact on the Organization's statement of financial position as of June 30, 2023, but did not have a material impact on the Organization's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of June 30, 2023.

Subsequent events

The Organization has evaluated events subsequent to June 30, 2023, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 4, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

The Organization's investment policy allows for investments in equities which are components of the Standard & Poor's 500 or Dow Jones Industrial Average, fixed-income securities generally rated investment grade or better, certificates of deposit and bankruptcy-remote money market funds. Currently, the Organization is holding only cash equivalents in treasury trust funds.

Investments consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents - treasury trust funds	\$ 18,741,432	\$ 16,975,680
	<u>\$ 18,741,432</u>	<u>\$ 16,975,680</u>

Activity in the investments during the year was as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 16,975,680	\$ 11,948,293
Sale of investments	(78,479)	(63,883)
Donated securities	68,251	73,861
Net cash equivalent activity within investment accounts	1,300,000	5,000,000
Interest and dividend income, net of fees \$13,051 and \$8,605, respectively	<u>475,980</u>	<u>17,409</u>
Balance, end of year	<u>\$ 18,741,432</u>	<u>\$ 16,975,680</u>

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4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category. Contributions receivable are recorded using discount rates that approximate 5%.

Future collections of contributions receivable are expected as follows:

<u>Year ending June 30,</u>		
2024	\$	892,248
2025		<u>412,000</u>
		1,304,248
Less: discounts to net present value		<u>(19,133)</u>
		<u><u>\$ 1,285,115</u></u>

5. WEBSITE AND SOFTWARE DEVELOPMENT COSTS - SINCE INCEPTION

Website and software development costs, net consist of the following:

	<u>2023</u>	<u>2022</u>
Website development	\$ 9,676,428	\$ 9,207,174
Salesforce implementation costs	333,566	258,326
Accumulated amortization	<u>(9,089,388)</u>	<u>(8,504,095)</u>
	<u><u>\$ 920,606</u></u>	<u><u>\$ 961,405</u></u>

Amortization expense for the years ended June 30, 2023 and 2022 was \$585,293 and \$556,695, respectively.

6. PROPERTY AND EQUIPMENT - SINCE INCEPTION

Property and equipment, net consisted of the following:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 434,015	\$ 414,121
Furniture and fixtures	<u>22,550</u>	<u>12,767</u>
	456,565	426,888
Accumulated depreciation	<u>(422,997)</u>	<u>(408,887)</u>
	<u><u>\$ 33,568</u></u>	<u><u>\$ 18,001</u></u>

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6. PROPERTY AND EQUIPMENT - SINCE INCEPTION (continued)

Depreciation expense for the years ended June 30, 2023 and 2022 was \$14,110 and \$8,655, respectively.

7. GRANTS PAYABLE

The highest quality research projects often require a commitment of two to five years of funding. All continuing grant recipients are subject to discretionary renewal, based on the fulfillment of the requirements of performing the childhood cancer research approved through the review process, including evidence of meaningful scientific progress and impact. The grant recipient provides appropriate and timely grant reports and complies with Foundation policies regarding the use of funds.

Grants are expensed when the unconditional promise to give is approved by the Board. At June 30, 2023 and 2022, the Organization has committed to continuing grants for Research, Fellows, Scholars, International Scholars, and Consortia aggregating \$12,401,137 and \$12,269,860, respectively, that are scheduled to be disbursed through June 30, 2026.

Grant commitments that are expected to be paid within one year are recorded at net realizable value. Grant commitments that are expected to be paid in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using adjusted risk-free rates of U.S Treasury yields. For the year ended June 30, 2023, the interest rate applied was 4.87%. Amortization of the discount is included in grant expense.

Future maturities of grants payable are as follows:

<u>Year ending June 30,</u>	
2024	\$ 10,118,744
2025	1,759,882
2026	<u>659,716</u>
	12,538,342
Less: discounts to net present value	<u>(137,205)</u>
	<u>\$ 12,401,137</u>

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Purpose restricted	\$ 859,113	\$ 560,338
Purpose restricted for 18 months	161,845	404,929
Time restricted	<u>250,000</u>	<u>714,920</u>
	<u>\$ 1,270,958</u>	<u>\$ 1,680,187</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2023</u>	<u>2022</u>
Purpose restricted	\$ 2,618,909	\$ 1,166,839
Purpose restricted for 18 months	494,149	264,539
Time restricted	<u>464,921</u>	<u>12,399</u>
	<u>\$ 3,577,979</u>	<u>\$ 1,443,777</u>

Purpose-restricted net assets consist primarily of contributions in support of research for specific types of cancer. The Organization has certain agreements with donors that provide for the expiration of a donor restriction at the end of 18 months if a suitable research project has not been identified. These contributions are classified as restricted until the funds are used for the restricted purpose or the restriction has lapsed.

9. LEASES

In July 2022, the Organization adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and liabilities on the accompanying statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases, formerly "capital leases."

The Organization leases its facility under an operating lease agreement which expires in June 2027. The lease requires the Organization to make monthly lease payments, which are fixed for the term of the lease and are subject to annual escalations.

As of June 30, 2023, the weighted-average remaining lease term of the operating lease is 4 years. The weighted average discount rate associated with the operating lease as of June 30, 2023 is 2.88% .

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9. LEASES (continued)

Future maturities of lease liabilities are as follows:

<u>Year ending June 30,</u>	
2024	\$ 342,966
2025	352,730
2026	363,715
2027	<u>374,700</u>
	1,434,111
Less: interest	<u>(82,494)</u>
	<u><u>\$ 1,351,617</u></u>

Lease costs for the year consisted of the following:

Operating lease costs	
Lease expense included in operating expenses	\$ 333,297

Rent expense for the year ended June 30, 2022 totaled \$389,784.

10. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to \$10,000 per employee, that an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020 and before January 1, 2022.

The Organization determined it was eligible to apply for the ERC and calculated a total ERC of \$210,683 for the wages paid during the period April 2021 through June 30, 2021. As the Organization has "substantially met" the program's eligibility conditions, the Organization has recognized income for the ERC payment received during the year ended June 30, 2023.

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Organization met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonably estimated and, accordingly, no provision for the possible disallowance of ERC funds has been recorded on the Organization's financial statements.

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11. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement 401(k) plan available to eligible employees. Upon meeting the eligibility requirements, an employee may elect to contribute a percentage of base salary up to the maximum permitted by law and the Organization agrees to contribute a matching amount. Generally, the Organization contributes 3% of employees' salaries, regardless of their contributions. Employees become immediately vested in the 3% contribution. The Organization has historically matched employee contributions, up to 7% of their salary. Employees are vested in these contributions over a five-year vesting period. During the year ended June 30, 2021, the Organization suspended the employer match to reduce operating expenses. In January 2023, the Organization reinstated the employer match for employees up to 3%. The Organization made employer match contributions of \$35,312 and \$0 during the years ended June 30, 2023 and 2022, respectively. The Organization made safe harbor contributions of \$92,411 and \$86,501 to the plan for the years ended June 30, 2023 and 2022, respectively.

12. RELATED PARTIES

For the year ended June 30, 2023, the Organization received approximately \$184,000 in contributions from members of the Board and approximately \$14,000 in contributions from employees. For the year ended June 30, 2022, the Organization received approximately \$263,000 in contributions from members of the Board and approximately \$13,000 in contributions from employees. As the Organization's CEO also serves as a member of the Board, her contributions are included with board member contributions.

13. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization maintains investments largely in liquid investments. The Organization has also sought to maintain approximately six to twelve months of operating expenses (excluding grants) in liquid assets.

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13. LIQUIDITY AND AVAILABILITY (continued)

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

	2023	2022
Cash and cash equivalents	\$ 3,094,324	\$ 3,893,798
Contributions receivable, net	1,285,115	714,920
Investments	18,741,432	16,975,680
	23,120,871	21,584,398
Less:		
Grants payable	(12,401,137)	(12,269,860)
Purpose restricted net assets	(1,020,958)	(965,267)
	(13,422,095)	(13,235,127)
	\$ 9,698,776	\$ 8,349,271

Assets available for general expenditure represent approximately nine months of operating expenditures at June 30, 2023 and ten months of operating expenditures at June 30, 2022.

14. RISKS AND UNCERTAINTIES

The Organization's operations were adversely affected during the COVID-19 pandemic as the organization substantially depends upon in-person special events to generate revenue. The national shutdown in response to the outbreak, happened in the Foundation's peak fundraising week of the year and while the organization pivoted to a virtual event model within two days, many volunteers have waited for the return of local in-person events to resume participation.

Fiscal year 2022 marked the first turnaround since the onset of the pandemic, and a significant revenue improvement over the prior year, but the 2023 year showed only moderate year-over-year improvement. While the Organization anticipates engaging new volunteers in 2024 and welcoming more past volunteers back to in-person events, it is monitoring the declining economic climate as a weak economy may impact what each volunteer is able to raise and how comfortable each volunteer will be asking family, friends, and colleagues to sponsor his or her efforts.

The Organization is monitoring the impact of rising interest rates on the economy, inflation, and the current wave of corporate layoffs as well as other external factors, to assess the impacts of these on the Organization's pandemic recovery. Organization staff are in close contact with key audiences to ascertain their priorities within their professional and personal environments during this time of austerity.

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14. RISKS AND UNCERTAINTIES (continued)

The medical community and national leaders suggest the worst of the pandemic is over, and if new more dangerous variants emerge, the Organization will adapt its volunteer "offerings" of engagement opportunities to prioritize volunteer safety. Such changes are likely to dampen engagement and resulting revenue.

To meet changing needs, while ensuring that expenditures prioritize opportunities to maximize revenue and fund more research, the Organization is working to grow other fundraising programs, including livestreaming, online challenges, new event programs and major and planned gifts - donor segments that played a critical role in the foundation during the pandemic and enabled the funding of critical research.

Management and the Board have completed an update to the Organization's strategic plan to ensure the Organization's infrastructure is robust enough to support volunteers fundraising efforts and modest enough to prioritize the funding of research grants to fulfill its mission to cure childhood cancers.