

**NEUROENDOCRINE TUMOR RESEARCH  
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2018  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(WITH COMPARATIVE TOTALS FOR 2017)

# NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

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To the Board of Directors  
Neuroendocrine Tumor Research Foundation, Inc.  
Boston, Massachusetts

### **Independent Auditor's Report**

I have audited the accompanying financial statements of Neuroendocrine Tumor Research Foundation, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neuroendocrine Tumor Research Foundation, Inc. as of December 31, 2018, 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.

#### **Report on Summarized Comparative Information**

I have previously audited Neuroendocrine Tumor Research Foundation, Inc.'s 2017 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated May 1, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 18, 2019

*Elaine Renzi, CPA, LLC*

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current assets:		
Cash & equivalents	\$ 2,395,071	\$ 6,693,121
Contributions receivable	1,784,485	749,154
Other receivable	33,291	30,000
Prepaid expenses	25,786	26,624
Total current assets	4,238,633	7,498,899
Investments	14,453,554	10,826,061
Contributions receivable, long-term	366,849	489,131
Total assets	\$ 19,059,036	\$ 18,814,091
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 187,462	\$ 113,311
Grants payable	3,476,680	1,830,772
Total current liabilities	3,664,142	1,944,083
Grants payable long term	3,045,765	2,547,828
Net assets:		
Without donor restrictions	6,650,615	8,164,199
With donor restrictions	5,698,514	6,157,981
Total net assets	12,349,129	14,322,180
Total liabilities and net assets	\$ 19,059,036	\$ 18,814,091

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

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenue:			
Contributions, grants and sponsorships	\$ 3,182,348	\$ 1,025,000	\$ 4,207,348
Net investment decline	(194,639)	(326,486)	(521,125)
Net assets released from restrictions	1,157,981	(1,157,981)	-
Total revenue and support	<u>4,145,690</u>	<u>(459,467)</u>	<u>3,686,223</u>
Expenses:			
Program services:			
Research	4,797,227	-	4,797,227
Patient Education	335,180	-	335,180
Outreach and support	111,627	-	111,627
Total program services	<u>5,244,034</u>	<u>-</u>	<u>5,244,034</u>
Supporting services:			
Management and general	159,362	-	159,362
Development	255,878	-	255,878
Total supporting services	<u>415,240</u>	<u>-</u>	<u>415,240</u>
Total expenses	<u>5,659,274</u>	<u>-</u>	<u>5,659,274</u>
Change in net assets	(1,513,584)	(459,467)	(1,973,051)
NET ASSETS, beginning of year	<u>8,164,199</u>	<u>6,157,981</u>	<u>14,322,180</u>
NET ASSETS, end of year	<u>\$ 6,650,615</u>	<u>\$ 5,698,514</u>	<u>\$ 12,349,129</u>

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

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and other revenue:			
Contributions, grants and sponsorships	\$ 1,067,162	\$ 980,264	\$ 2,047,426
Net investment return	820,380	-	820,380
Net assets released from restrictions	5,322,283	(5,322,283)	-
Total revenue and support	<u>7,209,825</u>	<u>(4,342,019)</u>	<u>2,867,806</u>
Expenses:			
Program services:			
Research	5,612,128	-	5,612,128
Patient Education	168,566	-	168,566
Outreach and support	151,543	-	151,543
Total program services	<u>5,932,237</u>	<u>-</u>	<u>5,932,237</u>
Supporting services:			
Management and general	154,347	-	154,347
Development	205,095	-	205,095
Total supporting services	<u>359,442</u>	<u>-</u>	<u>359,442</u>
Total expenses	<u>6,291,679</u>	<u>-</u>	<u>6,291,679</u>
Change in net assets	918,146	(4,342,019)	(3,423,873)
NET ASSETS, beginning of year	<u>7,246,053</u>	<u>10,500,000</u>	<u>17,746,053</u>
NET ASSETS, end of year	<u>\$ 8,164,199</u>	<u>\$ 6,157,981</u>	<u>\$ 14,322,180</u>

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

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018							2017	
	Program Services			Supporting Services					
	Research	Patient Education	Outreach & Support	Total Program Services	Management & General	Development	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 225,819	\$ 98,908	\$ 91,561	\$ 416,288	\$ 68,822	\$ 141,791	\$ 210,613	\$ 626,901	\$ 555,451
Employee benefits	397	6,535	1,262	8,194	121	5,020	5,141	13,335	33,075
Payroll taxes	16,110	7,004	6,498	29,612	4,915	10,110	15,025	44,637	39,998
Total salaries and related expenses	242,326	112,447	99,321	454,094	73,858	156,921	230,779	684,873	628,524
Research grants awarded	4,432,095	-	-	4,432,095	-	-	-	4,432,095	5,359,824
Research grant funds returned	-	-	-	-	-	-	-	-	(100,281)
Other grants	-	-	-	-	-	-	-	-	1,500
Professional services	16,876	47,648	1,815	66,339	60,750	36,932	97,682	164,021	129,568
Occupancy	24,208	10,604	9,816	44,628	7,378	15,201	22,579	67,207	52,502
Office expenses	4,940	6,864	357	12,161	6,525	20,638	27,163	39,324	31,641
Information technology	7,904	693	-	8,597	3,265	9,017	12,282	20,879	23,458
Insurance	-	-	-	-	1,215	-	1,215	1,215	1,198
Conferences	32,104	75,956	42	108,102	171	2,585	2,756	110,858	52,346
Travel	35,624	80,766	276	116,666	6,177	14,445	20,622	137,288	107,585
Advertising	150	202	-	352	23	139	162	514	2,982
Dues and licenses	1,000	-	-	1,000	-	-	-	1,000	832
Total expenses	\$ 4,797,227	\$ 335,180	\$ 111,627	\$ 5,244,034	\$ 159,362	\$ 255,878	\$ 415,240	\$ 5,659,274	\$ 6,291,679

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

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Total increase (decrease) in net assets	\$ (1,973,051)	\$ (3,423,873)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gains) losses on investments	(491)	(3,691)
Unrealized (gains) losses on investments	896,824	(590,718)
Investment earnings re-invested	(393,552)	(240,192)
Investment advisory fees netted from investments	19,727	15,395
(Increase) decrease in assets		
Contributions receivable	(993,353)	(670,198)
Other receivable	77,012	(30,000)
Prepaid expenses	838	(20,195)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	74,151	20,739
Grants payable	2,143,845	2,990,100
Net cash provided (used) by operating activities	(148,050)	(1,952,633)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	850,000	-
Net cash provided (used) by investing activities	850,000	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Endowment Investments Purchased	(5,000,000)	-
Net cash provided (used) by financing activities	(5,000,000)	-
<b>NET INCREASE (DECREASE) IN CASH CURRENT YEAR ACTIVITY</b>	(4,298,050)	(1,952,633)
<b>CASH AT BEGINNING OF YEAR</b>	6,693,121	8,645,754
<b>CASH AT END OF YEAR</b>	\$ 2,395,071	\$ 6,693,121
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Noncash investing and financing activities:		
None		

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



**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Neuroendocrine Tumor Research Foundation, Inc. is a nonprofit corporation organized under Massachusetts General Laws Chapter 180. It is also a 501(c)(3) organization under the Internal Revenue Code of 1986 as amended. Its primary purpose is to support neuroendocrine cancer research. It accomplishes this by funding breakthrough scientific research into neuroendocrine tumors. In addition, it is committed to supporting patients, families, friends and caregivers by providing them with up-to-date information and resources. The Organization is supported by donors throughout the United States.

**Comparative Financial Information**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**Basis of Presentation**

The Organization's financial statements are presented in conformity with U.S. generally accepted accounting principles ("US GAAP") and have been prepared on the accrual basis of accounting. In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses, if any.

ASU 2016-14 is effective for the Organization's fiscal year beginning January 1, 2018 and the Organization has applied the amendments retrospectively as required by the standard. A presentation of net assets as previously reported as of December 31, 2017 and as required under ASU 2016-14 follows:

December 31, 2017

	As Previously Presented	Presentation under ASU 2016-14		
		Without donor restrictions	With donor restrictions	Total
Net assets:				
Unrestricted	\$ 8,164,199	\$ 8,164,199	\$ -	\$ 8,164,199
Temporarily restricted	1,157,981	-	1,157,981	1,157,981
Permanently restricted	<u>5,000,000</u>	-	<u>5,000,000</u>	<u>5,000,000</u>
Total net assets	<u>\$14,322,180</u>	<u>\$ 8,164,199</u>	<u>\$ 6,157,981</u>	<u>\$14,322,180</u>

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Asset Classifications**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 (or certain grantor) restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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. We report 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 statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash equivalents are included in cash. The Organization considers interest-bearing investments due on demand as cash equivalents.

**Contributions Receivable**

We record unconditional promises to give that are expected to be collected within one year at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year the promise is received. Accretion of the discount is included in contributions and gifts revenue.

We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2018 and 2017, there was no allowance for doubtful accounts.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost or fair market value when received. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Expenditures for major renewals in excess of \$5,000 are capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Contributed Support**

Contributions are recognized 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 Services and In-Kind Contributions**

The Organization may record various types of in-kind support including professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received.

There were no donated services or in-kind contributions as of December 31, 2018 and 2017.

Gifts of stock are converted to cash as soon as reasonably possible after receipt and are therefore, treated as cash contributions in accordance with U.S. generally accepted accounting principles.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Tax Status**

Neuroendocrine Tumor Research Foundation, Inc. is an exempt organization under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. The corporation is also exempt from Massachusetts income taxes.

Neuroendocrine Tumor Research Foundation, Inc. has identified its tax status as a tax-exempt entity as a tax position; however, it has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. Its Federal and state income tax returns are generally open for examination for the past three years.

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Reclassifications**

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Such reclassifications did not change total assets, liabilities or changes in net assets as reflected in the 2017 financial statements.

**Subsequent Events**

We have evaluated subsequent events through April 18, 2019, which is the date the financial statements were available to be issued.

**(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:

Cash and cash equivalents	\$ 2,395,071
Contributions receivable	1,784,485
Other receivables	33,291
Operating investments	14,453,554
Long-term investments appropriated for current use	<u>250,000</u>
Total financial assets	18,916,401
Less amounts unavailable for general expenditure within one year:	
Net assets with restrictions	(1,025,000)
Endowment	<u>(4,673,514)</u>
Total financial assets unavailable for general expenditure	<u>(5,698,514)</u>
Financial assets available for general expenditure within one year	<u>\$13,217,887</u>

The Organization's endowment funds consist of donor-restricted endowments. The Organization shall be entitled to spend five percent of the total value of the endowment each year for scientific research awards and activities in accordance with the endowment agreement.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(3) CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists of unconditional promises to give on behalf of individual and foundation donors. These receivables are considered low-risk because a significant portion represents commitments from either large, well-established foundations or individual donors with a long-term relationship with the Organization. Therefore, no allowance for uncollectible amounts is deemed necessary.

	<u>2018</u>	<u>2017</u>
In one year or less	\$1,784,485	\$ 749,154
Longer than one year	<u>366,849</u>	<u>489,131</u>
Contributions receivable	<u>\$2,151,334</u>	<u>\$1,238,285</u>

The organization had conditional promises to give, totaling \$3,790,035, representing challenge grants from two donors to match support raised from other sources.

**(4) INVESTMENTS— FAIR VALUES MEASURED ON A RECURRING BASIS**

ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

Fair values of investments measured on a recurring basis are summarized as follows as of December 31:

	<u>2018</u>	<u>2017</u>
<u>Publicly Traded Mutual Funds</u>		
Cost	\$14,755,546	\$10,231,229
Quoted Prices in Active Markets for Identical Assets (Level 1)	\$14,453,554	\$10,826,061

The following schedule summarizes the investment return (decline) on mutual funds by its classification in the Statement of Activities for the year ended December 31, 2018 and 2017:

	<u>2018</u>			<u>2017</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Interest & dividend income, net	\$ 260,092	\$ 115,232	\$ 375,324	\$225,971	\$ -	\$225,971
Realized gains (losses)	608	(233)	375	3,691	-	3,691
Unrealized gains (losses)	<u>(455,339)</u>	<u>(441,485)</u>	<u>(896,824)</u>	<u>590,718</u>	-	<u>590,718</u>
Total investment return	<u>\$ (194,639)</u>	<u>\$ (326,486)</u>	<u>\$ (521,125)</u>	<u>\$ 820,380</u>	<u>\$ -</u>	<u>\$ 820,380</u>

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(5) RESEARCH GRANTS PAYABLE**

The Organization awards annual and multi-year research grants to fund scientific research of neuroendocrine tumors. All grants are expensed upon approval by the Board of Directors. Payments are made according to the terms of the grant agreement, which are typically according to pre-set dates or upon reaching certain milestones. Changes in grants payable are as follows:

	<u>2018</u>	<u>2017</u>
Grants payable at beginning of year	\$ 4,378,600	\$ 1,388,500
Grants awarded	4,520,095	5,359,824
Payments made	(2,293,250)	(2,369,724)
Discounts on long-term grants payable	(83,000)	-
Grants cancelled	-	-
Grants payable at end of year	<u>\$ 6,522,445</u>	<u>\$ 4,378,600</u>

Long-term grants payable are discounted to present value using a risk-free federal adjusted rate of approximately 1.8%.

Grants payable at December 31, 2018 are scheduled to be disbursed as follows:

2019	\$3,476,680
2020	\$1,953,132
2021	\$808,633
2022	\$284,000

**(6) ENDOWMENT**

The Organization's endowment consists of mutual funds that have been restricted by a donor to be maintained in perpetuity, established to support the achievement of the Organization's mission. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted term endowment fund, absent explicit donor stipulations to the contrary. Consequently, the Organization classifies within net assets with donor restrictions:

- the current value of gifts donated to the endowment, and
- the current value of subsequent gifts to the endowment

**NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**(6) ENDOWMENT (Continued)**

Investment income and cumulative appreciation (net unrealized and realized gains) of the donor-restricted endowment fund are added to the principal and included in the calculation for the annual Distribution Amount (as described more fully in the Spending Policy section below) in accordance with donor stipulations.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of an explicitly stated duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported as reductions in net assets with donor restrictions.

Subject to the intent of the donor expressed in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate or accumulate, the Organization considers the following factors:

1. The duration and preservation of the endowment fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policy of the Organization.

As of December 31, 2018 and 2017, we had the following endowment net asset composition by type of fund:

	<u>2018</u>	<u>2017</u>
Original donor-restricted gift amount required to be maintained in perpetuity by the donor (underwater in 2018)	\$ 4,673,514	\$5,000,000

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$5,000,000, fair values of \$4,673,514, and deficiencies of \$326,486 were reported in net assets with donor restrictions.

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets with the objective of preserving the long-term, real purchasing power of assets while ensuring the ability of the Organization to meet short-term grant funding commitments. Fund assets earmarked for short-term distribution to fulfill donor guidelines may be more conservative with a higher cash position, while funds dedicated to the long-term endowment may have different investment goals and anticipated returns.

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**(6) ENDOWMENT (Continued)**

*Strategies Employed for Achieving Objectives*

Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.

*Spending Policy*

Each year, the Organization shall be entitled to spend five percent of the total value of the Endowment, calculated based on the rolling thirty-six month average value of the Endowment. The distribution for the first year is based on the \$5,000,000 initial investment. Any portion of the distribution amount not used in a given year shall be added to the Endowment's principal.

A pledge receivable for the endowment was recorded in 2015 in the amount of \$5,000,000 and the pledge was fulfilled in December 2017. As such, the Organization had no endowment earnings or distributions as of December 31, 2017.

Changes in endowment funding during fiscal year 2018 and 2017 are:

	<u>2018</u>	<u>2017</u>
Endowment funds invested, beginning of year	\$5,000,000	\$ -
Contributions received	-	5,000,000
Investment income	114,999	-
Net appreciation (depreciation)	(441,485)	-
Amounts appropriated for expenditure	-	-
Endowment funds invested, end of year	<u>\$4,673,514</u>	<u>\$5,000,000</u>

**(7) NET ASSETS WITH DONOR RESTRICTIONS**

	<u>2018</u>	<u>2017</u>
Funds held for specific purposes or time periods:		
Subject to the passage of time	\$ -	\$1,157,981
Subject to expenditure for specific research projects	<u>1,025,000</u>	<u>-</u>
	<u>1,025,000</u>	<u>1,157,981</u>
 Donor restricted endowment funds	 <u>4,673,514</u>	 <u>5,000,000</u>
	<u>\$5,698,514</u>	<u>\$6,157,981</u>

**(8) FUNCTIONAL EXPENSES**

Expenses are charged to each program based on direct expenditures incurred. Categories of expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, employee benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and others. These expenses are allocated based on the estimates of time and effort expended for each program, administrative, and development function.



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**(9) COMMITMENTS**

The Organization leases office space under a non-cancelable operating lease, which commenced on June 1, 2017 and continues for a five-year term until May 31, 2022. The lease is subject to property tax and operating cost escalation clauses. Fixed rental payments under this lease for each of the next four years and in the aggregate are:

Year ending December 31:

2019	\$ 63,332
2020	64,912
2021	66,492
2022	<u>27,979</u>
	<u>\$222,715</u>

Rent expense relating to this lease totaled \$61,752 for the year ending December 31, 2018 and \$30,415 for the year ending December 31, 2017. Prior to June 1, 2017, the Organization rented office space on a tenant-at-will basis. Rent expense under this arrangement totaled \$15,467 for the year ending December 31, 2017.

**(10) ACCRUALS FOR COMPENSATED ABSENCES**

Employees are permitted to accrue a specific number of hours of vacation pay which is payable upon termination of the employee. Sick leave is not paid upon termination. Accrued vacation time at December 31, 2018 was \$14,727. There was no accrual booked at the end of 2017 as the amount was minimal.

**(11) CONCENTRATIONS OF CREDIT RISK**

**Cash**

The Organization maintains cash balances at highly rated financial institutions. The total of all accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017, the Organization's uninsured cash balances totaled \$2,101,056 and \$6,386,152, respectively.

The Organization invests in money funds with a highly rated investment company. The funds are covered by the Securities Investor Protection Corporation and, as such, are protected against irregularities, insolvency, or bankruptcy of the custodian up to \$250,000. Such investments are exposed to various risks such as market and credit risk. 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 could materially affect investment balances and the amounts reported in the financial statements. At December 31, 2018 and 2017, the Organization's investments in money funds totaled \$44,015 and \$56,970, respectively.

**Contributions receivable**

Awards from three foundations comprised 78% of contributions receivable at December 31, 2018. Awards from two foundations comprised 97% of contributions receivable as of December 31, 2017.

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**(12) CONCENTRATIONS OF REVENUE AND SUPPORT**

The Organization receives substantial contributions from foundations. Contributions from two foundations totaled 57% of total support and revenue for the year ended December 31, 2018. Contributions from three foundations totaled 42% of total support and revenue for the year ended December 31, 2017.

**(13) EMPLOYEE BENEFIT PLAN**

The Organization participates in a qualified 401k deferred income plan. All employees are eligible to contribute a portion of their compensation to the plan in accordance with plan provisions. The organization does not match participant contributions.