

**NEUROENDOCRINE TUMOR RESEARCH
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(WITH COMPARATIVE TOTALS FOR 2019)

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

Opinion

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Neuroendocrine Tumor Research Foundation, 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 Responsibility for the Audit of the Financial Statements

My 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 my 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.

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

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

- 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 Neuroendocrine Tumor Research Foundation, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Neuroendocrine Tumor Research Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

I have previously audited Neuroendocrine Tumor Research Foundation, Inc.'s 2019 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated April 2, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 20, 2021

Elaine Renzi, CPA, LLC

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

Assets	2020	2019
Current assets:		
Cash & equivalents	\$ 4,321,077	\$ 3,971,039
Contributions receivable	491,922	1,459,273
Other receivables	88,791	16,410
Prepaid expenses	18,701	31,888
Total current assets	<u>4,920,491</u>	<u>5,478,610</u>
Investments	18,729,001	16,611,879
Contributions receivable, long-term	130,000	222,283
Total assets	<u><u>\$ 23,779,492</u></u>	<u><u>\$ 22,312,772</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 159,368	\$ 151,682
Grants payable	6,002,235	5,542,168
Total current liabilities	<u>6,161,603</u>	<u>5,693,850</u>
Grants payable long term	2,208,013	3,335,946
Net assets:		
Without donor restrictions	7,743,954	6,769,275
With donor restrictions	7,665,922	6,513,701
Total net assets	<u>15,409,876</u>	<u>13,282,976</u>
Total liabilities and net assets	<u><u>\$ 23,779,492</u></u>	<u><u>\$ 22,312,772</u></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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue:			
Contributions, grants and sponsorships	\$ 3,029,607	\$ 970,000	\$ 3,999,607
Net investment income	1,280,996	837,140	2,118,136
Net assets released from restrictions	654,919	(654,919)	-
Total revenue and support	<u>4,965,522</u>	<u>1,152,221</u>	<u>6,117,743</u>
Expenses:			
Program services:			
Research	3,152,218	-	3,152,218
Patient Education	219,306	-	219,306
Outreach and support	88,560	-	88,560
Total program services	<u>3,460,084</u>	<u>-</u>	<u>3,460,084</u>
Supporting services:			
Management and general	195,424	-	195,424
Development	335,335	-	335,335
Total supporting services	<u>530,759</u>	<u>-</u>	<u>530,759</u>
Total expenses	<u>3,990,843</u>	<u>-</u>	<u>3,990,843</u>
Change in net assets	974,679	1,152,221	2,126,900
NET ASSETS, beginning of year	<u>6,769,275</u>	<u>6,513,701</u>	<u>13,282,976</u>
NET ASSETS, end of year	<u>\$ 7,743,954</u>	<u>\$ 7,665,922</u>	<u>\$ 15,409,876</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue:			
Contributions, grants and sponsorships	\$ 4,545,586	\$ 191,500	\$ 4,737,086
Net investment income	1,277,505	883,606	2,161,111
Net assets released from restrictions	259,919	(259,919)	-
Total revenue and support	<u>6,083,010</u>	<u>815,187</u>	<u>6,898,197</u>
Expenses:			
Program services:			
Research	5,095,762	-	5,095,762
Patient Education	289,879	-	289,879
Outreach and support	82,563	-	82,563
Total program services	<u>5,468,204</u>	<u>-</u>	<u>5,468,204</u>
Supporting services:			
Management and general	196,601	-	196,601
Development	299,545	-	299,545
Total supporting services	<u>496,146</u>	<u>-</u>	<u>496,146</u>
Total expenses	<u>5,964,350</u>	<u>-</u>	<u>5,964,350</u>
Change in net assets	118,660	815,187	933,847
NET ASSETS, beginning of year	<u>6,650,615</u>	<u>5,698,514</u>	<u>12,349,129</u>
NET ASSETS, end of year	<u>\$ 6,769,275</u>	<u>\$ 6,513,701</u>	<u>\$ 13,282,976</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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020							2019
	Program Services				Supporting Services			
	Research	Patient Education	Outreach & Support	Total Program Services	Management & General	Development	Total Supporting Services	Total Expenses
Salaries	\$ 180,397	\$ 89,891	\$ 73,643	\$ 343,931	\$ 132,563	\$ 228,530	\$ 361,093	\$ 705,024
Employee benefits	681	6,721	1,415	8,817	1,659	835	2,494	11,311
Payroll taxes	13,424	5,964	5,518	24,906	8,109	15,785	23,894	48,800
Total salaries and related expenses	194,502	102,576	80,576	377,654	142,331	245,150	387,481	765,135
Research grants awarded	2,891,619	-	-	2,891,619	-	-	-	2,891,619
Professional services	6,392	71,997	-	78,389	25,857	25,817	51,674	130,063
Occupancy	16,714	8,654	6,919	32,287	13,719	22,057	35,776	68,063
Office expenses	378	661	94	1,133	6,900	24,576	31,476	32,609
Information technology	8,399	3,930	846	13,175	5,924	16,178	22,102	35,277
Insurance	310	149	125	584	182	393	575	1,159
Conferences	29,802	28,130	-	57,932	-	99	99	58,031
Travel	902	1,634	-	2,536	511	955	1,466	4,002
Advertising	150	1,125	-	1,275	-	-	-	1,275
Dues and licenses	3,050	450	-	3,500	-	110	110	3,610
Total expenses	\$ 3,152,218	\$ 219,306	\$ 88,560	\$ 3,460,084	\$ 195,424	\$ 335,335	\$ 530,759	\$ 3,990,843
								\$ 5,964,350

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,126,900	\$ 933,847
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gains) losses on investments re-invested	(2,117,122)	(2,158,325)
(Increase) decrease in assets		
Contributions receivable	1,059,634	469,778
Other receivables	(72,381)	16,881
Prepaid expenses	13,187	(6,102)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	7,686	(35,780)
Grants payable	(667,866)	2,355,669
Net cash provided (used) by operating activities	<u>350,038</u>	<u>1,575,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment Investments Purchased	-	-
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
NET INCREASE IN CASH CURRENT YEAR ACTIVITY	350,038	1,575,968
CASH AT BEGINNING OF YEAR	<u>3,971,039</u>	<u>2,395,071</u>
CASH AT END OF YEAR	<u>\$ 4,321,077</u>	<u>\$ 3,971,039</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Noncash investing and financing activities:		
Net investment earnings re-invested	\$ 619,944	\$ 455,987

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, 2020 AND 2019

(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, 2019, 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.

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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019, 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. It is the Organization's policy to capitalize expenditures for those items in excess of \$5,000. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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, 2020 and 2019.

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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

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.

Subsequent Events

We have evaluated subsequent events through April 20, 2021, which is the date the financial statements were available to be issued.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,321,077	\$ 3,971,039
Contributions receivable	491,922	1,459,273
Other receivables	88,791	16,410
Operating investments	<u>15,831,478</u>	<u>16,611,879</u>
Total financial assets	<u>20,733,268</u>	<u>22,058,601</u>
Less amounts unavailable for general expenditure within one year:		
Net assets with restrictions	(60,000)	(590,000)
Endowment	<u>(6,394,260)</u>	<u>(5,557,120)</u>
Total financial assets unavailable for general expenditure	<u>(6,454,260)</u>	<u>(6,147,120)</u>
Financial assets available for general expenditure within one year	<u>\$14,279,008</u>	<u>\$15,911,481</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 maintain cash in excess of daily requirements in short-term investments, money market funds, and savings accounts.

(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>2020</u>	<u>2019</u>
In one year or less	\$491,922	\$1,459,273
Longer than one year	<u>130,000</u>	<u>222,283</u>
Contributions receivable	<u>\$621,922</u>	<u>\$1,681,556</u>

In 2019, the Organization had conditional promises to give, totaling \$1,015,032, representing challenge grants from two donors to match support raised from other sources. The conditions were satisfied and the related support was recognized in 2020.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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>Publicly Traded Mutual Funds</u>	<u>2020</u>	<u>2019</u>
Cost	\$15,939,050	\$15,319,105
Quoted Prices in Active Markets for Identical Assets (Level 1)	\$18,729,001	\$16,611,879

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, 2020 and 2019:

	<u>2020</u>			<u>2019</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Interest & dividend income, net	\$ 271,268	\$ 117,209	\$ 388,477	\$ 293,686	\$ 129,304	\$ 422,990
Realized gains (losses)	172,883	59,599	232,482	68,234	(32,472)	35,762
Unrealized gains (losses)	<u>836,845</u>	<u>660,332</u>	<u>1,497,177</u>	<u>915,585</u>	<u>786,774</u>	<u>1,702,359</u>
Total investment return	<u>\$1,280,996</u>	<u>\$ 837,140</u>	<u>\$2,118,136</u>	<u>\$1,277,505</u>	<u>\$ 883,606</u>	<u>\$2,161,111</u>

Investment expenses netted to investment income total \$29,806 in 2020 and \$28,162 in 2019.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(5) RESEARCH GRANTS PAYABLE

The Organization, annually, awards one-year 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>2020</u>	<u>2019</u>
Grants payable at beginning of year	\$ 8,878,114	\$ 6,522,445
Grants awarded	2,820,000	4,774,757
Payments made	(3,554,485)	(2,433,482)
Change in discounts on long-term grants payable	66,619	14,394
Grants payable at end of year	<u>\$ 8,210,248</u>	<u>\$ 8,878,114</u>

Long-term grants payable are discounted to present value using a risk-free federal adjusted rate of approximately 1.5%.

Grants payable at December 31, 2020 are scheduled to be disbursed as follows:

2021	\$6,002,235
2022	\$1,308,823
2023	\$599,460
2024	\$299,730

(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, 2020 AND 2019

(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, 2020 and 2019, we had the following endowment net asset composition by type of fund:

	<u>2020</u>	<u>2019</u>
Original donor-restricted gift amount required to be maintained in perpetuity by the donor	\$ 5,000,000	\$ 5,000,000

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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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.

Changes in endowment funding during fiscal year 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Endowment funds invested, beginning of year	\$5,557,120	\$4,673,514
Contributions received	-	-
Investment income	117,209	129,304
Net appreciation (depreciation)	719,931	754,302
Amounts appropriated for expenditure	-	-
Endowment funds invested, end of year	<u>\$6,394,260</u>	<u>\$5,557,120</u>

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Funds held for specific purposes or time periods:		
Subject to the passage of time	\$ 320,000	\$ -
Subject to expenditure for specific research projects	951,662	956,581
	<u>1,271,662</u>	<u>956,581</u>
Donor restricted endowment funds	<u>6,394,260</u>	<u>5,557,120</u>
	<u>\$7,665,922</u>	<u>\$6,513,701</u>

Net assets were released from restrictions during December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of time restrictions	\$ 160,000	\$ 75,000
Satisfaction of use restrictions	494,919	184,919
	<u>\$ 654,919</u>	<u>\$259,919</u>

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(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.

(9) COMMITMENTS

The Organization leases office space under a non-cancelable operating lease, which was signed on December 3, 2019 with a lease term from February 1, 2020 through March 1, 2025. The lease is subject to property tax and operating cost escalation clauses. Fixed rental payments under this lease for each of the next five years and in the aggregate are:

Year ending December 31:

2021	\$ 73,107
2022	74,569
2023	76,061
2024	77,582
2025	13,189
	<u>\$314,508</u>

Rent expense for office space totaled \$59,269 for the year ending December 31, 2020 and \$62,291 for the year ending December 31, 2019.

(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 paid-time off at December 31, 2020 and 2019 was \$29,658 and \$16,827, respectively.

(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, 2020 and 2019, the Organization's uninsured cash balances totaled \$3,816,586 and \$3,501,543, 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, 2020 and 2019, the Organization's investments in money funds totaled \$255,264 and \$188,131, respectively.

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(11) CONCENTRATIONS OF CREDIT RISK (Continued)

Contributions receivable

Awards from two donors comprised 50% of contributions receivable at December 31, 2020. Awards from three donors comprised 68% of contributions receivable at December 31, 2019.

(12) CONCENTRATIONS OF REVENUE AND SUPPORT

The Organization receives substantial contributions. Contributions from two donors totaled 35% of total support and revenue for the year ended December 31, 2020. Contributions from one donor totaled 60% of total support and revenue for the year ended December 31, 2019.

(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.

(14) SUBSEQUENT EVENT – COVID-19

When the COVID 19 pandemic began in March 2020, NETRF closed its office and directed all staff to work remotely, in compliance with a Commonwealth of Massachusetts executive order. This continued through 2020 and into the spring of 2021, with employees able to perform their regular duties using electronic systems and virtual meetings. NETRF's revenue did not significantly decrease in 2020. With a change to virtual events and no travel, expenses dropped. NETRF's funded researchers experienced delays in their projects due to temporary lab closings, but work resumed in the third and fourth quarters. Research grant funding in 2020 was lower than in 2019, based on number of applications submitted, evaluated, and recommended for awards, not on available funding.

The Organization has elected to report the PPP loan proceeds of \$75,607 as a conditional grant in the financial statements because for the year ended December 31, 2020 the conditions of the PPP were met. Subsequent to year end, on March 01, 2021 the SBA approved forgiveness of the PPP loan.