

**NEUROENDOCRINE TUMOR RESEARCH
FOUNDATION, INC.**

Financial Statements

Years ended December 31, 2021 and 2020

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Neuroendocrine Tumor Research Foundation, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Neuroendocrine Tumor Research Foundation, Inc. as of December 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

The financial statements of Neuroendocrine Tumor Research Foundation, Inc. as of and for the year ended December 31, 2020, were audited by other auditors whose report dated April 20, 2021 expressed an unmodified opinion on those statements. In our opinion, the information presented herein as of and for the year ended December 31, 2020, including the summarized information included in the statement of functional expenses is consistent, in all material respects, with the audited financial statements from which it was derived.

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 for a period within one year after the date the that the financial statements were available to be issued.



Independent Auditors' Report (continued)

Auditors' 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, due to fraud or error, and to issue an auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we do the following:

- 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 our 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.

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.

Pozerski Hatch & Company, P.C.

Hingham, Massachusetts
April 25, 2022

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 934,654	\$ 4,321,077
Contributions receivables	118,725	491,922
Other receivables	236,166	88,791
Prepaid expenses	<u>20,267</u>	<u>18,701</u>
Total current assets	<u>1,309,812</u>	<u>4,920,491</u>
Investments	25,198,607	18,729,001
Contributions receivables, long-term	<u>100,000</u>	<u>130,000</u>
Total Assets	<u>\$ 26,608,419</u>	<u>\$ 23,779,492</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 316,015	\$ 159,368
Grants payable	<u>4,548,115</u>	<u>6,002,235</u>
Total current liabilities	<u>4,864,130</u>	<u>6,161,603</u>
Grants payable, long term	<u>2,898,261</u>	<u>2,208,013</u>
Total Liabilities	<u>7,762,391</u>	<u>8,369,616</u>
NET ASSETS		
Without donor restrictions	5,908,772	7,743,954
With donor restrictions	<u>12,937,256</u>	<u>7,665,922</u>
Total Net Assets	<u>18,846,028</u>	<u>15,409,876</u>
Total Liabilities and Net Assets	<u>\$ 26,608,419</u>	<u>\$ 23,779,492</u>

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

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

Statements of Activities

For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue						
Contributions, grants, and sponsorships	\$ 2,002,583	\$ 5,100,000	\$ 7,102,583	\$ 3,029,607	\$ 970,000	\$ 3,999,607
Net investment income	640,539	830,104	1,470,643	1,280,996	837,140	2,118,136
Returned grant revenue	150,000	116,392	266,392	-	-	-
Net assets released from restrictions	775,162	(775,162)	-	654,919	(654,919)	-
Total revenue and support	3,568,284	5,271,334	8,839,618	4,965,522	1,152,221	6,117,743
EXPENSES						
Program services:						
Research	4,600,218	-	4,600,218	3,152,218	-	3,152,218
Patient education	176,913	-	176,913	219,306	-	219,306
Outreach and support	95,391	-	95,391	88,560	-	88,560
Total program services	4,872,522	-	4,872,522	3,460,084	-	3,460,084
Supporting services:						
Management and general	187,413	-	187,413	195,424	-	195,424
Development	343,531	-	343,531	335,335	-	335,335
Total supporting services	530,944	-	530,944	530,759	-	530,759
Total expenses	5,403,466	-	5,403,466	3,990,843	-	3,990,843
CHANGE IN NET ASSETS	(1,835,182)	5,271,334	3,436,152	974,679	1,152,221	2,126,900
NET ASSETS, beginning of year	7,743,954	7,665,922	15,409,876	6,769,275	6,513,701	13,282,976
NET ASSETS, end of year	\$ 5,908,772	\$ 12,937,256	\$ 18,846,028	\$ 7,743,954	\$ 7,665,922	\$ 15,409,876

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

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

Statements of Functional Expenses

For the Years Ended December 31, 2021 and 2020

	2021								2020
	Program services				Supporting Services				Total
	Research	Patient Education	Outreach & Support	Total Program Services	Management & General	Development	Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 194,434	\$ 81,335	\$ 75,713	\$ 351,482	\$ 122,400	\$ 231,387	\$ 353,787	\$ 705,269	\$ 705,024
Employee benefits	411	2,230	3,123	5,764	1,064	871	1,935	7,699	11,311
Payroll taxes	13,003	5,298	6,234	24,535	7,752	16,529	24,281	48,816	48,800
Total Salary and Related Expenses	<u>207,848</u>	<u>88,863</u>	<u>85,070</u>	<u>381,781</u>	<u>131,216</u>	<u>248,787</u>	<u>380,003</u>	<u>761,784</u>	<u>765,135</u>
Research grants awarded	4,305,891	-	-	4,305,891	-	-	-	4,305,891	2,891,619
Professional services	20,490	56,809	343	77,642	31,859	18,499	50,358	128,000	130,063
Occupancy	21,022	9,564	9,285	39,871	16,329	26,045	42,374	82,245	68,063
Office expenses	1,687	2,452	-	4,139	5,859	25,496	31,355	35,494	32,609
Information technology	6,619	2,853	-	9,472	987	18,601	19,588	29,060	35,277
Insurance	1,570	715	693	2,978	984	1,944	2,928	5,906	1,159
Conferences	31,580	11,983	-	43,563	-	-	-	43,563	58,031
Travel	311	1,688	-	1,999	179	885	1,064	3,063	4,002
Advertising	150	1,536	-	1,686	-	3,274	3,274	4,960	1,275
Dues and licenses	3,050	450	-	3,500	-	-	-	3,500	3,610
Total Expenses	<u>\$ 4,600,218</u>	<u>\$ 176,913</u>	<u>\$ 95,391</u>	<u>\$ 4,872,522</u>	<u>\$ 187,413</u>	<u>\$ 343,531</u>	<u>\$ 530,944</u>	<u>\$ 5,403,466</u>	<u>\$ 3,990,843</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,436,152	\$ 2,126,900
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
(Gains) losses on investments	(1,469,606)	(2,117,122)
Contributions received for endowment	(5,000,000)	-
(Increase) decrease in assets		
Contributions receivable	403,197	1,059,634
Other receivables	(147,375)	(72,381)
Prepaid expenses	(1,566)	13,187
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	156,647	7,686
Grants payable	(763,872)	(667,866)
Net cash provided by (used in) operating activities	<u>(3,386,423)</u>	<u>350,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,000,000)	-
Net cash used by investing activities	<u>(5,000,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment contributions	5,000,000	-
Net cash provided by financing activities	<u>5,000,000</u>	<u>-</u>
Net change in cash and cash equivalents	(3,386,423)	350,038
Cash and cash equivalents, beginning of year	<u>4,321,077</u>	<u>3,971,039</u>
Cash and cash equivalents, end of year	<u>\$ 934,654</u>	<u>\$ 4,321,077</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Neuroendocrine Tumor Research Foundation, Inc. (the Foundation) 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 Foundation 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 (US GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Basis of Presentation

The Foundation's financial statements are presented in conformity with U.S. generally accepted accounting principles and have been prepared on the accrual basis of accounting.

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.

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 restrictions.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

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

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates certain 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 Foundation considers interest-bearing investments due on demand as cash equivalents.

The Foundation maintains its cash balances at highly rated financial and investment institutions, which at times may exceed insured limits. The Foundation monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions receivable that are, in effect, "unconditional promises to give" are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential un-collectability. This determination includes such factors as prior collection history, type of contribution and nature of fundraising activity. At December 31, 2021 and 2020, 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 Foundation'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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

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

Investments

The Foundation records 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 statement of financial position. Fair value is determined as per the fair value policies described in Note 4.

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. Realized and unrealized gains and losses are reflected in the statements of activities under the net assets with or without donor restrictions captions, as applicable. Income derived from the investment of endowment funds is reported as an increase in net assets with donor restriction if the terms of the underlying gift or relevant state law impose restrictions of the use of the income or net gains. Income and net gains on board designated and other funds are reported as an increase in net assets without donor restrictions.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported on the statement of financial position.

Donated Services and In-Kind Contributions

The Foundation 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 (c) 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, 2021 and 2020.

Revenue Recognition

The Foundation recognizes revenue at an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for transferring goods or services to its customers using the following give-step process:

1. Identify the contract with the customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Foundation satisfies a performance obligation

The Foundation recognizes sponsorship revenue at the time of the related events or publications.

The Foundation recognizes the refund of grants at a point in time when the refund is known by management and agreed upon with the awardee. During the year ended December 31, 2021, the Foundation was refunded \$266,392 from a grant previously awarded.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

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. 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 the time and effort expended for each program, administrative, and development function.

Tax Status

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

The Foundation 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 Foundation 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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation. These reclassifications have no impact on prior year change in net assets.

Subsequent Events

We have evaluated subsequent events through April 25, 2022, which is the date the financial statements were available to be issued.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

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, comprising the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 934,654	\$ 4,321,077
Contributions receivable	118,725	491,922
Other receivables	236,166	88,791
Operating investments	12,974,243	12,334,741
Total	<u>14,263,788</u>	<u>17,236,530</u>
Less amount unavailable for general expenditure within one year:		
Net asset with restrictions	<u>(712,892)</u>	<u>(1,141,662)</u>
Financial assets available for general expenditure within one year	<u>\$ 13,550,896</u>	<u>\$ 16,094,868</u>

As part of its liquidity management plan, the Foundation maintains 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 from individuals 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 Foundation.

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 118,725	\$ 491,922
Longer than one year	100,000	130,000
Contributions receivable	<u>\$ 218,725</u>	<u>\$ 621,922</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

4 – INVESTMENTS

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 Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation 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>2021</u>	<u>2020</u>
Cost	\$ 21,631,348	\$ 15,831,478
Quotes Prices in Active Markets for Identical Assets (Level 1)	\$ 25,198,607	\$ 8,729,001

The following schedule summarizes the investment return on investments by net asset classification in the statement of activities for the year ended December 31, 2021 and 2020:

	<u>2021</u>			<u>2020</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest & dividend income, net	\$ 267,702	\$ 187,427	\$ 455,129	\$ 271,268	\$ 117,209	\$ 388,477
Net realized gains	253,591	92,187	345,778	172,883	59,599	232,482
Net unrealized gains	<u>119,246</u>	<u>550,490</u>	<u>669,736</u>	<u>836,845</u>	<u>660,332</u>	<u>1,497,177</u>
Total Investment Return	<u>\$ 640,539</u>	<u>\$ 830,104</u>	<u>\$ 1,470,643</u>	<u>\$ 1,280,996</u>	<u>\$ 837,140</u>	<u>\$ 2,118,136</u>

Investment expenses netted to investment income total \$37,421 in 2021 and \$29,806 in 2020, respectively.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

5 – RESEARCH GRANTS PAYABLE

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

	<u>2021</u>	<u>2020</u>
Grants payable at beginning of year, net	\$ 8,210,248	\$ 8,878,114
Grants awarded	4,300,000	2,820,000
Payments made	(4,914,120)	(3,554,485)
Return of previously awarded grant	(150,000)	-
Change in discount on long-term grants payable	<u>248</u>	<u>66,619</u>
Grants payable at end of year, net	<u>\$ 7,446,376</u>	<u>\$ 8,210,248</u>

Long-term grants payable are discounted to present value using risk-free federal adjusted rate of approximately 0.06%. The discount on grants payable was \$1,739 and \$1,987 at December 31, 2021 and 2020, respectively.

Grants payable at December 31, 2021, prior to discounting, are scheduled to be distributed as follows:

2022	\$4,548,115
2023	\$2,000,000
2024	\$600,000
2025	\$300,000

6 – ENDOWMENTS

The Foundation'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 Foundation'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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

6 – ENDOWMENTS (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation 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 Foundation 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

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 distribution amounts (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 Foundation 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 Foundation. In making a determination to appropriate or accumulate, the Foundation considers the following factors:

1. The duration and preservation of the endowment fund;
2. The purposes of the Foundation 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 Foundation; and
7. The investment policy of the Foundation.

Return Objectives and Risk Parameters

The Foundation 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 Foundation 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 STATEMENT

6 – ENDOWMENTS (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

Based on an amended agreement with the donor, effective November 25, 2021, the Foundation is limited in spending from 2022 – 2024 to previously awarded grants totaling \$1,200,000. Beginning in 2025, the Foundation can spend as much of the income and realized growth of the endowment as it deems prudent, so long as at end of the calendar year, the balance in the fund is at least equal to \$10,380,000.

Changes in endowment funding during fiscal year 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Endowment funds invested, beginning of year	\$ 6,394,260	\$ 5,557,120
Contributions received	5,000,000	-
Investment income	187,427	117,209
Net appreciation (depreciation)	<u>642,677</u>	<u>719,931</u>
Endowment funds invested, end of year	<u>\$ 12,224,364</u>	<u>\$ 6,394,260</u>

In accordance with the amended agreement with the donor, effective November 25, 2021, \$380,000 was reclassified from appreciation on the endowment fund to corpus, in order to conform to the donor's intent.

7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 were available for the following purposes:

	<u>2021</u>	<u>2020</u>
Funds held for specific purposes or time periods:		
Subject to passage of time	\$ 266,892	\$ 320,000
Subject to expenditure for specific research projects	<u>446,000</u>	<u>951,662</u>
	712,892	1,271,662
Donor restricted endowment funds – corpus	10,380,000	5,000,000
Donor restricted endowment funds - appreciation	<u>1,844,364</u>	<u>1,394,260</u>
	<u>\$ 12,937,256</u>	<u>\$ 7,665,922</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from restrictions during December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of time restrictions	\$ 170,000	\$ 160,000
Satisfaction of use restrictions	<u>605,162</u>	<u>494,919</u>
	<u>\$ 775,162</u>	<u>\$ 654,919</u>

8 – COMMITMENTS

The Foundation leases office space under a non-cancellable operating lease, which was signed on December 3, 2020, 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:

2022	\$ 74,569
2023	76,061
2024	77,582
2025	<u>13,189</u>
	<u>\$ 241,401</u>

Rent expense for office space totaled \$74,644 for the year ending December 31, 2021 and \$59,269 for the years ending December 31, 2020.

9 - CONCENTRATIONS OF REVENUE AND SUPPORT

The Foundation receives substantial contributions. Contributions from one donor totaled 69% of total support and revenue for the year ended December 31, 2021. Contributions from one donor totaled 35% of total support and revenue for the year ended December 31, 2020.

Awards from two donors comprised 89% of contributions receivable at December 31, 2021. Awards from three donors comprised 50% of contributions receivable at December 31, 2020.

10- EMPLOYEE BENEFIT PLAN

The Foundation 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 Foundation does not match participant contributions.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENT

11 - CONTINGENCIES - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. Further, in March 2020, the Commonwealth of Massachusetts declared a state of emergency. This health emergency has and may continue to impact the Foundation's operations as well as its funded researchers'. The future potential impact to the Foundation's financial condition cannot be determined at this time.