

**NEUROENDOCRINE TUMOR RESEARCH
FOUNDATION, INC.**

Financial Statements

Years Ended December 31, 2023 and 2022

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Neuroendocrine Tumor Research Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neuroendocrine Tumor Research Foundation, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibility 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 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 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 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 generally accepted auditing standards will, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Rockland, Massachusetts
April 15, 2024

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,556,608	\$ 1,443,954
Contributions receivable	513,268	532,605
Prepaid expenses	17,417	23,840
Investments	18,457,571	18,359,395
Right to use asset - operating lease	<u>88,379</u>	<u>163,324</u>
Total assets	<u>\$ 20,633,243</u>	<u>\$ 20,523,118</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 217,211	\$ 159,819
Grants payable	4,799,915	6,189,523
Operating lease liability	<u>83,363</u>	<u>164,987</u>
Total liabilities	<u>5,100,489</u>	<u>6,514,329</u>
Net Assets		
Without donor restrictions	2,848,405	3,244,174
With donor restrictions	<u>12,684,349</u>	<u>10,764,615</u>
Total net assets	<u>15,532,754</u>	<u>14,008,789</u>
Total liabilities and net assets	<u>\$ 20,633,243</u>	<u>\$ 20,523,118</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Revenue and support						
Contributions, grants, and sponsorships	\$ 1,934,554	\$ 610,000	\$ 2,544,554	\$ 2,044,199	\$ 380,000	\$ 2,424,199
Returned grant revenue	14,056	-	14,056	13,623	-	13,623
Net assets released from restrictions	370,000	(370,000)	-	516,500	(516,500)	-
Total revenue and support	<u>2,318,610</u>	<u>240,000</u>	<u>2,558,610</u>	<u>2,574,322</u>	<u>(136,500)</u>	<u>2,437,822</u>
Expenses						
Program services:						
Research	2,383,700	-	2,383,700	2,387,590	-	2,387,590
Patient education	407,382	-	407,382	342,359	-	342,359
Outreach and support	96,932	-	96,932	102,097	-	102,097
Total program	<u>2,888,014</u>	<u>-</u>	<u>2,888,014</u>	<u>2,832,046</u>	<u>-</u>	<u>2,832,046</u>
Supporting services:						
Management and general	198,145	-	198,145	199,022	-	199,022
Development	448,223	-	448,223	405,320	-	405,320
Total supporting services	<u>646,368</u>	<u>-</u>	<u>646,368</u>	<u>604,342</u>	<u>-</u>	<u>604,342</u>
Total expenses	<u>3,534,382</u>	<u>-</u>	<u>3,534,382</u>	<u>3,436,388</u>	<u>-</u>	<u>3,436,388</u>
Change in net assets from operating activities	(1,215,772)	240,000	(975,772)	(862,066)	(136,500)	(998,566)
Nonoperating activities						
Net investment return	<u>820,003</u>	<u>1,679,734</u>	<u>2,499,737</u>	<u>(1,802,532)</u>	<u>(2,036,141)</u>	<u>(3,838,673)</u>
Change in net assets	(395,769)	1,919,734	1,523,965	(2,664,598)	(2,172,641)	(4,837,239)
Net assets, beginning of year	<u>3,244,174</u>	<u>10,764,615</u>	<u>14,008,789</u>	<u>5,908,772</u>	<u>12,937,256</u>	<u>18,846,028</u>
Net assets, end of year	<u>\$ 2,848,405</u>	<u>\$ 12,684,349</u>	<u>\$ 15,532,754</u>	<u>\$ 3,244,174</u>	<u>\$ 10,764,615</u>	<u>\$ 14,008,789</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, 2023 (with comparative total for 2022)

	2023						2022
	Program Services			Supporting Services			Total
	Research	Patient Education	Outreach and Support	Management and General	Development	Expenses	Total Expenses
Salaries	\$ 194,601	\$ 224,509	\$ 79,334	\$ 100,896	\$ 315,999	\$ 915,339	\$ 765,143
Payroll taxes	15,637	18,041	6,375	8,108	25,392	73,553	54,381
Employee benefits	7,631	8,804	3,111	3,956	12,391	35,893	20,923
Total personnel expenses	217,869	251,354	88,820	112,960	353,782	1,024,785	840,447
Research grants awarded	2,005,392	-	-	-	-	2,005,392	1,998,714
Professional services	14,126	86,055	1,050	47,584	13,511	162,326	238,011
Occupancy	16,863	18,639	6,483	18,550	26,174	86,709	84,067
Office expenses	1,446	1,012	-	2,197	21,604	26,259	35,189
Information technology	7,729	2,097	-	10,027	21,835	41,688	33,786
Insurance	1,505	1,665	579	1,487	2,330	7,566	6,571
Conferences	114,117	33,030	-	-	713	147,860	145,804
Travel	3,951	12,542	-	4,127	7,447	28,067	46,935
Advertising	702	988	-	313	827	2,830	3,464
Dues and licenses	-	-	-	900	-	900	3,400
Total expenses	\$ 2,383,700	\$ 407,382	\$ 96,932	\$ 198,145	\$ 448,223	\$ 3,534,382	\$ 3,436,388

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services			Supporting Services		Total Expenses
	Research	Patient Education	Outreach and Support	Management and General	Development	
Salaries	\$ 197,762	\$ 175,959	\$ 83,731	\$ 98,155	\$ 209,536	\$ 765,143
Payroll taxes	12,946	11,023	5,702	9,748	14,962	54,381
Employee benefits	484	12,725	3,623	1,150	2,941	20,923
Total personnel expenses	211,192	199,707	93,056	109,053	227,439	840,447
Research grants awarded	1,998,714	-	-	-	-	1,998,714
Professional services	9,829	98,358	-	49,507	80,317	238,011
Occupancy	20,351	17,743	8,372	15,529	22,072	84,067
Office expenses	1,513	1,512	-	4,797	27,367	35,189
Information technology	6,713	3,126	-	10,066	13,881	33,786
Insurance	1,624	1,429	669	1,088	1,761	6,571
Conferences	131,323	14,440	-	41	-	145,804
Travel	2,852	4,733	-	8,596	30,754	46,935
Advertising	529	861	-	345	1,729	3,464
Dues and licenses	2,950	450	-	-	-	3,400
Total expenses	\$ 2,387,590	\$ 342,359	\$ 102,097	\$ 199,022	\$ 405,320	\$ 3,436,388

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,523,965	\$ (4,837,239)
Adjustments to reconcile change in net assets to net cash used in operating activities		
(Gains) losses on investments	(2,012,823)	4,212,969
Amortization of right to use asset	74,945	74,551
Discount on grants payable	34,608	66,286
(Increase) decrease in assets		
Contributions receivable	19,337	(77,714)
Prepaid expenses	6,423	(3,573)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	57,392	(156,196)
Operating lease liability	(81,624)	(72,888)
Grants payable	(1,424,216)	(1,323,139)
Net cash used by operating activities	<u>(1,801,993)</u>	<u>(2,116,943)</u>
Cash Flows From Investing Activities		
Purchases of investments	(531,445)	(427,405)
Proceeds from sales of investments	2,446,092	3,053,648
Net cash provided by investing activities	<u>1,914,647</u>	<u>2,626,243</u>
Net change in cash and cash equivalents	112,654	509,300
Cash and cash equivalents, beginning of year	<u>1,443,954</u>	<u>934,654</u>
Cash and cash equivalents, end of year	<u>\$ 1,556,608</u>	<u>\$ 1,443,954</u>

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

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF THE ORGANIZATION

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the Foundation 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.

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. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents are included in cash. The Foundation considers cash and cash equivalents to be currency on hand or deposits and all highly liquid investments with maturities of three months or less when acquired.

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, 2023 and 2022, 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.

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 statements of financial position.

Net investment return (loss) is reported in the statement 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 statement 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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 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 during the years ended December 31, 2023 and 2022.

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 the refund of grants at a point in time when the refund is known by management and agreed upon with the awardee.

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, salaries, employee benefits, payroll taxes, professional services, office expenses, information technology, insurance, and others. These expenses are allocated based on the estimates of the time and effort expended for each program, administrative, and development function.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation. The reclassifications had no effect on the change in net assets previously reported.

Subsequent Events

We have evaluated subsequent events through April 15, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	\$ 1,556,608	\$ 1,443,954
Contributions receivable, current	473,268	342,605
Operating investments	6,589,614	8,171,172
Total	<u>8,619,490</u>	<u>9,957,731</u>
Less amount unavailable for general expenditure within one year:		
Net asset with restrictions	<u>(816,392)</u>	<u>(576,392)</u>
Financial assets available for general expenditure within one year	<u>\$ 7,803,098</u>	<u>\$ 9,381,339</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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – 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.

	2023	2022
In one year or less	\$ 473,268	\$ 342,605
Longer than one year	40,000	190,000
Contributions receivable	<u>\$ 513,268</u>	<u>\$ 532,605</u>

NOTE 5 – INVESTMENTS

Accounting standards establish 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.

As of December 31, 2023 and 2022, the Foundation's investment portfolio consists of the following:

	2023 Fair Value (Level 1)	2022 Fair Value (Level 1)
Mutual funds – equity	\$ 10,383,434	\$ 9,560,664
Mutual funds – fixed income	8,074,137	8,798,731
Total	<u>\$ 18,457,571</u>	<u>\$ 18,359,395</u>

Mutual funds are valued at the closing price recorded in the active market in which the individual securities are traded.

The following schedule summarizes the investment return on investments for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 533,005	\$ 427,944
Investment fees	(46,091)	(53,648)
Net realized and unrealized gains (losses)	2,012,823	(4,212,969)
Total	<u>\$ 2,499,737</u>	<u>\$ (3,838,673)</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – INVESTMENTS (CONTINUED)

As of December 31, 2023 and 2022, the Foundation's investments were held for the following purposes:

	<u>2023</u>	<u>2022</u>
Operating	\$ 6,589,614	\$ 8,171,172
Endowment	11,867,957	10,188,223
Total	<u>\$ 18,457,571</u>	<u>\$ 18,359,395</u>

NOTE 6 – 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>2023</u>	<u>2022</u>
Grants payable at beginning of year, net	\$ 6,189,523	\$ 7,446,376
Grants awarded	2,110,000	2,065,000
Payments made	(3,375,944)	(3,241,944)
Return of previously awarded grant	(14,056)	(13,623)
Change in discount on long-term grants payable	(34,608)	(66,286)
Write-off discontinued grants	<u>(75,000)</u>	<u>-</u>
Grants payable at end of year, net	<u>\$ 4,799,915</u>	<u>\$ 6,189,523</u>

Long-term grants payable are discounted to present value using risk-free federal adjusted rate of approximately 4.01% and 4.30% at December 31, 2023 and 2022, respectively. The discount on grants payable was \$102,633 and \$68,025 at December 31, 2023 and 2022, respectively.

Grants payable at December 31, 2023, prior to discounting, are scheduled to be distributed as follows:

2024	\$3,640,548
2025	\$1,060,000
2026	\$202,000

NOTE 7 – ENDOWMENT FUNDS

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 STATEMENTS

NOTE 7 – ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies the original value of gifts donated to the endowment to be held in perpetuity within net assets with donor restrictions. Investment income and cumulative appreciation (net unrealized and realized gains) of the donor-restricted endowment fund are also classified as net assets with donor restriction and are 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 UPMIFA 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.

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 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.

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – ENDOWMENT FUNDS (CONTINUED)

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 2023 and 2022 are:

	2023	2022
Endowment funds invested, beginning of year	\$ 10,188,223	\$ 12,224,364
Investment income	270,924	190,514
Net appreciation (depreciation)	<u>1,408,810</u>	<u>(2,226,655)</u>
Endowment funds invested, end of year	<u>\$ 11,867,957</u>	<u>\$ 10,188,223</u>

At December 31, 2022, the endowment fund was below the original corpus by \$191,777. At December 31, 2023, the endowment fund was not below the corpus.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 and 2022 were restricted for the following purposes:

	2023	2022
Funds held for specific purposes or time periods:		
Subject to passage of time	\$ 320,000	\$ 141,392
Subject to expenditure for specific research projects	<u>496,392</u>	<u>435,000</u>
	<u>816,392</u>	<u>576,392</u>
Donor restricted endowment funds – corpus	10,380,000	10,380,000
Donor restricted endowment funds – appreciation (depreciation)	<u>1,487,957</u>	<u>(191,777)</u>
Total donor restricted endowment funds	<u>11,867,957</u>	<u>10,188,223</u>
Total net assets with donor restriction	<u>\$ 12,684,349</u>	<u>\$ 10,764,615</u>

Net assets were released from restrictions during December 31, 2023 and 2022 as follows:

	2023	2022
Satisfaction of time restrictions	\$ -	\$ 225,000
Satisfaction of use restrictions	<u>370,000</u>	<u>291,500</u>
	<u>\$ 370,000</u>	<u>\$ 516,500</u>

NEUROENDOCRINE TUMOR RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LEASES

The Foundation leases office space under a non-cancellable 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 the remaining term of the lease are as follows:

Year ending December 31:

	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 76,061
2024	70,731	77,582
2025	<u>13,188</u>	<u>13,189</u>
Total future minimum lease payments	83,919	166,832
Less imputed interest	<u>(556)</u>	<u>(1,845)</u>
Total	<u>\$ 83,363</u>	<u>\$ 164,987</u>

The Foundation used the private company option of using the risk-free interest rate to determine the present value lease assets and liability. The rate used was 0.98% as of the adoption of the standard on January 1, 2022. Operating lease costs for office space totaled \$80,541 and \$78,253 for the years ending December 31, 2023 and 2022, respectively.

NOTE 10 – CONCENTRATIONS OF REVENUE AND SUPPORT

The Foundation receives substantial contributions. Contributions from one donor was 14% of total contributions, grants and sponsorships for the year ended December 31, 2023. There were no donor concentrations for the year ended December 31, 2022.

Contributions from four donors comprised 76% and 90% of contributions receivable at December 31, 2023 and 2022, respectively.

NOTE 11 – 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.