

NSABP Foundation, Inc.

Financial Statements and
Supplementary Information

June 30, 2020 and 2019

NSABP Foundation, Inc.

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Independent Auditors' Report

To the Board of Directors of
NSABP Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of NSABP Foundation, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NSABP Foundation, Inc. as of June 30, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021 on our consideration of NSABP Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NSABP Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NSABP Foundation, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Pittsburgh, Pennsylvania
April 22, 2021

NSABP Foundation, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 9,108,289	\$ 9,606,887
Investments	62,762,493	65,777,303
Receivables	-	9,006
Receivable from NRG Oncology Foundation, Inc.	780,389	794,854
Interest in net assets of NRG Oncology Foundation, Inc.	853,864	775,430
Prepaid expenses and other assets	1,313,266	1,310,616
Property and equipment, net	982,223	1,355,506
	<u>\$ 75,800,524</u>	<u>\$ 79,629,602</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 7,148,450	\$ 7,110,065
Deferred revenue	37,962,333	38,124,000
Paycheck Protection Program (PPP) loan	1,177,922	-
	<u>46,288,705</u>	<u>45,234,065</u>
Total liabilities	46,288,705	45,234,065
Net Assets		
Without donor restrictions	<u>29,511,819</u>	<u>34,395,537</u>
	<u>\$ 75,800,524</u>	<u>\$ 79,629,602</u>

See notes to financial statements

NSABP Foundation, Inc.

Statements of Activities

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and Public Support		
Federal research programs	\$ 3,241,868	\$ 3,743,620
Industry research programs	33,076,449	23,975,090
State tobacco grants	94,149	205,195
Contributions and sponsorships	745	7,775
Other income	554,588	516,311
	<u>36,967,799</u>	<u>28,447,991</u>
Expenses		
Research programs:		
Federal	3,241,868	3,743,620
Industry	36,672,895	27,095,868
State	94,149	205,195
General and administrative	3,240,693	3,897,907
	<u>43,249,605</u>	<u>34,942,590</u>
Operating loss	<u>(6,281,806)</u>	<u>(6,494,599)</u>
Investment and Other Income		
Interest and dividend income	1,485,091	1,920,848
Realized and unrealized (loss) gain on investments	(165,437)	982,620
Change in value of interest in net assets of NRG Oncology Foundation, Inc.	78,434	87,417
	<u>1,398,088</u>	<u>2,990,885</u>
Change in net assets	(4,883,718)	(3,503,714)
Net Assets, Beginning	<u>34,395,537</u>	<u>37,899,251</u>
Net Assets, Ending	<u>\$ 29,511,819</u>	<u>\$ 34,395,537</u>

See notes to financial statements

NSABP Foundation, Inc.Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Federal</u>	<u>Industry</u>	<u>State</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and fringe benefits	\$ 2,037,018	\$ 4,955,996	\$ 58,405	\$ 2,871,301	\$ 9,922,720
Professional fees	42,222	1,589,363	-	1,687,295	3,318,880
Purchased services	1,587	308,292	-	2,043,117	2,352,996
Travel	25,712	227,574	-	144,943	398,229
Office and other costs	1,895	39,213	57	587,292	628,457
Insurance	-	-	-	139,454	139,454
Program costs	20,239	68,650	20,929	-	109,818
Purchased service agreements	-	7,898,079	-	-	7,898,079
Subcontracts	380,699	17,486,009	-	26,000	17,892,708
Depreciation and amortization	-	69,521	-	518,743	588,264
Facilities and administrative allocation	732,496	4,030,198	14,758	(4,777,452)	-
Total expenses	<u>\$ 3,241,868</u>	<u>\$ 36,672,895</u>	<u>\$ 94,149</u>	<u>\$ 3,240,693</u>	<u>\$ 43,249,605</u>

See notes to financial statements

NSABP Foundation, Inc.Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Federal</u>	<u>Industry</u>	<u>State</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,781,768	\$ 5,332,201	\$ 66,583	\$ 3,260,751	\$ 10,441,303
Professional fees	159,299	1,050,822	-	1,916,714	3,126,835
Purchased services	17,777	276,797	10,750	1,742,900	2,048,224
Travel	58,393	405,207	-	198,915	662,515
Office and other costs	2,584	66,801	32	435,312	504,729
Insurance	-	-	-	146,911	146,911
Program costs	23,312	176,861	101,069	20	301,262
Purchased service agreements	564,000	5,777,861	-	1,338	6,343,199
Subcontracts	375,482	9,843,650	12,124	32,051	10,263,307
Depreciation and amortization	-	68,235	-	1,036,070	1,104,305
Facilities and administrative allocation	761,005	4,097,433	14,637	(4,873,075)	-
Total expenses	<u>\$ 3,743,620</u>	<u>\$ 27,095,868</u>	<u>\$ 205,195</u>	<u>\$ 3,897,907</u>	<u>\$ 34,942,590</u>

See notes to financial statements

NSABP Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (4,883,718)	\$ (3,503,714)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	588,264	1,104,305
Realized and unrealized loss (gain) on investments, net	165,437	(982,620)
Change in value of interest in net assets of NRG Oncology Foundation, Inc.	(78,434)	(87,417)
(Increase) decrease in:		
Receivables	9,006	1,579,501
Receivable from NRG Oncology Foundation, Inc.	14,465	(131,435)
Prepaid expenses and other assets	(2,650)	(113,998)
Increase (decrease) in:		
Accounts payable and accrued liabilities	38,385	(2,117,491)
Deferred revenue	(161,667)	2,967,010
	<u>(4,310,912)</u>	<u>(1,285,859)</u>
Net cash used in operating activities		
Cash Flows From Investing Activities		
Purchases of property and equipment	(214,981)	(622,285)
Purchases of investments	(19,860,554)	(7,577,312)
Proceeds from sale of investments	22,709,927	9,496,950
	<u>2,634,392</u>	<u>1,297,353</u>
Net cash provided by investing activities		
Cash Flows From Financing Activities		
Proceeds from issuance of PPP loan	1,177,922	-
	<u>1,177,922</u>	<u>-</u>
Net change in cash and cash equivalents	(498,598)	11,494
Cash and Cash Equivalents, Beginning	<u>9,606,887</u>	<u>9,595,393</u>
Cash and Cash Equivalents, Ending	<u>\$ 9,108,289</u>	<u>\$ 9,606,887</u>

See notes to financial statements

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

NSABP Foundation, Inc. (Foundation or NSABP) was organized as a not-for-profit organization on November 21, 1995 to develop scientific protocols that guide clinical trials and studies related to the causes, diagnosis, treatment, prevention or control of breast, colon and rectal cancer, to publish and otherwise transfer its discoveries and knowledge to the benefit of the public, and to attract research awards and contributions in support of its scientific mission.

The Foundation is a not-for-profit corporation and through its network of research collaborators conducts federal and nonfederal clinical trials. The Foundation has over 170 research collaborators, including community-based organizations, academic healthcare centers and other U.S. and international organizations. The Foundation negotiates contracts with pharmaceutical companies to develop and conduct clinical trials solely supported by pharmaceutical companies. The nonfederal clinical trials are conducted by the various research collaborators and their affiliated sites through enrollment of participants to each approved protocol.

During the year ended June 30, 2014, NSABP, in conjunction with two other organizations, assisted in the creation of a new entity, NRG Oncology Foundation, Inc. (NRG). Collectively, the three organizations are referred to as the legacy groups, all of which had established histories as National Cancer Institute (NCI) grant recipients. Changes to the structure of NCI grants issued necessitated this change, the effect of which is the consolidation of federal grants for adult cancer trials into fewer grantees. NRG receives NCI funding to support the NRG National Clinical Trials Network (NCTN) group and the three legacy groups are subrecipients of these grants for the purpose of the development and conduct of the NCI supported clinical trials.

Pharmaceutical contracts are also used to provide supplemental support to NCI-approved trials which are conducted by NRG. Support from pharmaceutical companies has made it possible to provide additional funding to members for conducting trials and to fund additional education and scientific correlative studies designed to answer scientific questions that would have remained unanswered under primary NCI-funded protocols.

The Foundation directly maintains, administers and distributes these funds in support of the NCI-approved clinical trials research.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include depreciation of property and equipment, fair value of investments, purchased service agreement accruals and the allocation of expenses by function. Actual results could differ from those estimates.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Basis of Accounting and Presentation

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors (the Board), or may otherwise be limited by contractual agreements with outside parties.

As of June 30, 2020 and 2019, the Board of the Foundation had designated \$12,706,695 and \$13,362,456, respectively, of net assets without restrictions for Board approved programs developed to initiate activities which will increase the growth of the Foundation and achieve and maintain the financial stability of the Foundation.

Net Assets With Donor Restrictions - Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restriction. The Foundation had no net assets with donor restrictions as of June 30, 2020 and 2019.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. These include insured deposits in checking accounts and cash in temporary investment accounts. The Foundation receives deposits from the Pennsylvania Department of Health which are required by contract to be held in a separate bank account. These amounts were approximately \$46,000 and \$147,000 at June 30, 2020 and 2019, respectively.

Investments

Investments are carried at fair value and consist of U.S. Government and other debt securities, equity securities, mutual funds and alternative investments. Gains and investment income are recognized in the period earned and are classified as with or without donor restrictions with respect to stipulations imposed by the donor at the date of the donation or applicable state law.

Risks and Uncertainties

Investments are exposed to several risks, such as interest rates and market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's financial statements.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Receivables

Receivables consist primarily of expenses incurred on clinical trials for which reimbursements have not been received from pharmaceutical and other funding sources. Management reviews receivables periodically, and amounts deemed uncollectible are charged to expense. An allowance for doubtful accounts has not been established, because management believes all receivables at year-end are fully collectible. However, it is possible that management's estimate could change in the future.

Receivable From NRG Oncology Foundation, Inc.

Receivable From NRG consist of expenses incurred on federally-funded clinical trials and other programmatic and administrative services, for which reimbursements have not been received from NRG.

Interest in the Net Assets of NRG Oncology Foundation, Inc.

The Foundation and the two other legacy groups each provided capital to NRG during the year ended June 30, 2014 in the amount of \$700,000. No additional capital contributions have been made.

The Foundation recognizes its proportionate interest in the net assets of NRG and adjusts that interest according to the change in the net assets of NRG in a manner similar to the equity method. The increase in the value of the interest in the net assets of NRG was approximately \$78,000 and \$87,000 for the years ended June 30, 2020 and 2019, respectively.

Property and Equipment, Net

Purchased equipment and leasehold improvements are recorded at the lower of cost or fair value. Depreciation is recorded using the straight-line method over estimated useful lives ranging from 3-15 years. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Software development costs are capitalized and recorded at fair value. Amortization is recorded on the straight-line method over estimated useful lives.

Accrued Liabilities

Accrued liabilities are comprised of amounts related to purchased service agreements with member sites and subcontract expenses that management has estimated at the end of the fiscal year to fairly state the liabilities and corresponding expenses related to these programmatic expenses.

Deferred Revenue

Deferred revenue consists of awards from pharmaceutical companies received in advance for which project expenditures have not yet been incurred.

Contributions

Contributions are recognized when a donor makes a promise to give to the Foundation that is unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Revenue Recognition

Revenues from both governmental and pharmaceutical sources are considered to be exchange transactions. Direct revenues are recognized to the extent of related expenditures. Indirect revenues from governmental sources are recognized as a predetermined percentage of direct costs based upon an approved indirect revenue percentage approved by the Division of Cost Allocation, Department of Health and Human Services.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income tax is recorded in the accompanying financial statements.

The Foundation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined that there were no tax uncertainties that met the recognition threshold in 2020 and 2019.

The Foundation's policy is to recognize interest and penalty costs relating to unrecognized tax benefits or obligations, if any, in general and administrative expenses.

Fair Value Measurements

The Foundation's estimates of fair value for financial assets are based on the framework established in the fair value measurement guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in accordance with the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Foundation's significant market assumptions. The levels of the hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are quoted prices for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Foundation, using available market information and appropriate valuation methodologies, has determined the estimated fair value of its financial instruments. However, considerable judgment is required in interpreting data to develop the estimates of fair value.

New Accounting Standard Adopted

In 2020, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this new standard did not have an impact on the Foundation's financial statements.

New Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Since 2014, the FASB issued several amendments to ASU No. 2014-09, which among other things, deferred the effective date of implementation for certain entities. ASU No. 2014-09 (as amended) is effective for the Foundation for the fiscal year beginning July 1, 2020. The Foundation is currently assessing the effect that ASU No. 2014-09 (as amended) will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 is intended to improve financial reporting about leasing transactions by requiring organizations that lease assets, referred to as "lessees", recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Since 2018, the FASB issued several amendments to Topic 842, which among other things, deferred the effective date of implementation for certain entities. Topic 842 (as amended) is effective for the Foundation for the fiscal year beginning July 1, 2022. The Foundation is currently assessing the effect that Topic 842 (as amended) will have on its financial statements.

Subsequent Events

The Foundation has evaluated subsequent events for recognition or disclosure through April 22, 2021, the date these financial statements were available to be issued.

2. Investments and Fair Value Measurements

Investments are presented in the accompanying statements of financial position at their fair value. The carrying value of investments is summarized as follows at June 30, 2020 and 2019:

	2020	
	Cost Basis	Fair Value
Common stocks	\$ 3,975,780	\$ 5,584,465
Mutual funds	20,156,614	29,621,085
Alternative fixed income fund	27,867	70,740
International bonds	839,346	802,573
Corporate bonds	2,037,752	2,070,663
U.S. Treasury notes	23,892,893	24,612,967
Total	<u>\$ 50,930,252</u>	<u>\$ 62,762,493</u>

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

	2019	
	<u>Cost Basis</u>	<u>Fair Value</u>
Common stocks	\$ 3,236,348	\$ 5,348,630
Mutual funds	19,909,198	29,887,929
Alternative fixed income fund	44,812	112,156
International bonds	819,833	784,475
Corporate bonds	1,892,935	1,904,775
U.S. Treasury notes	27,306,055	27,739,338
Total	<u>\$ 53,209,181</u>	<u>\$ 65,777,303</u>

The Foundation paid investment management fees of approximately \$165,000 and \$152,000 during the years ended June 30, 2020 and 2019, respectively, which is netted against interest and dividend income on the statements of activities.

Fair values of investments measured on a recurring basis are as follows at June 30, 2020 and 2019:

	2020			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks:				
Consumer goods and services	\$ 960,790	\$ 960,790	\$ -	\$ -
Insurance	446,275	446,275	-	-
Aerospace	824,850	824,850	-	-
Oil and gas	275,850	275,850	-	-
Technology and communications	2,224,370	2,224,370	-	-
Science and technology	852,330	852,330	-	-
	<u>5,584,465</u>	<u>5,584,465</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equity funds	16,976,780	16,976,780	-	-
International equity fund	3,748,668	3,748,668	-	-
Bond funds	7,194,212	7,194,212	-	-
Other funds	1,701,425	1,701,425	-	-
	<u>29,621,085</u>	<u>29,621,085</u>	<u>-</u>	<u>-</u>
Alternative fixed income fund	70,740	-	-	70,740
International bonds	802,573	802,573	-	-
Corporate bonds	2,070,663	-	2,070,663	-
U.S. Treasury notes	24,612,967	-	24,612,967	-
Total	<u>\$ 62,762,493</u>	<u>\$ 36,008,123</u>	<u>\$ 26,683,630</u>	<u>\$ 70,740</u>

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

	2019			
	Fair Value	Level 1	Level 2	Level 3
Common stocks:				
Consumer goods and services	\$ 1,672,050	\$ 1,672,050	\$ -	\$ -
Energy	794,800	794,800	-	-
Technology and communications	2,060,590	2,060,590	-	-
Science and technology	821,190	821,190	-	-
	<u>5,348,630</u>	<u>5,348,630</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Equity funds	17,108,223	17,108,223	-	-
International equity fund	4,328,783	4,328,783	-	-
Bond funds	7,471,107	7,471,107	-	-
Other funds	979,816	979,816	-	-
	<u>29,887,929</u>	<u>29,887,929</u>	<u>-</u>	<u>-</u>
Alternative fixed income fund	112,156	-	-	112,156
International bonds	784,475	784,475	-	-
Corporate bonds	1,904,775	-	1,904,775	-
U.S. Treasury notes	27,739,338	-	27,739,338	-
	<u>29,839,744</u>	<u>784,475</u>	<u>1,904,775</u>	<u>112,156</u>
Total	<u>\$ 65,777,303</u>	<u>\$ 36,021,034</u>	<u>\$ 29,644,113</u>	<u>\$ 112,156</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019:

Common stocks, U.S. Treasury notes, corporate bonds and international bonds are valued at quoted closing price reported on the active markets on which the individual securities are traded.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Alternative fixed income fund is valued based on transactions with other investors who are eligible to redeem the funds and/or estimates of net realizable value by management of the fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

The following tables set forth a summary of changes in the fair value of Level 3 assets for the years ended June 30, 2020 and 2019:

	2020	
	Alternative Equity Fund	Alternative Fixed Income Fund
Beginning balance	\$ -	\$ 112,156
Capital distributions	-	(34,800)
Total unrealized losses	-	(6,616)
Total	<u>\$ -</u>	<u>\$ 70,740</u>

	2019	
	Alternative Equity Fund	Alternative Fixed Income Fund
Beginning balance	\$ 11,002	\$ 151,937
Capital distributions	(12,159)	(56,400)
Total realized and unrealized gains	1,157	16,619
Total	<u>\$ -</u>	<u>\$ 112,156</u>

The unrealized (depreciation) appreciation related to Level 3 investments still held was \$(6,616) and \$16,619 at June 30, 2020 and 2019, respectively.

The alternative fixed income fund is an investment in a private investment fund. The goal of the fund is to pursue fund holdings of restructured debt, distressed debt and other nonstressed debt holdings to provide a desired internal rate of return to investors. Under the provisions of the fund agreement, the Foundation is committed to making total purchases of \$1,000,000 in the fund, of which approximately \$152,600 in outstanding commitments still remain as of June 30, 2020 and 2019.

The most significant unobservable inputs affecting the fair value of the alternative fixed income fund are the changes in the fair value of the assets comprising the fund. Significant changes in these inputs could result in a significant change in the fair value.

3. Property and Equipment, Net

Property and equipment include the following at June 30, 2020 and 2019:

	2020	2019
Equipment	\$ 4,844,703	\$ 4,700,414
Software	5,815,014	5,706,841
Leasehold improvements	1,043,543	1,081,024
	11,703,260	11,488,279
Less accumulated depreciation and amortization	10,721,037	10,132,773
Total	<u>\$ 982,223</u>	<u>\$ 1,355,506</u>

Depreciation and amortization expense totaled approximately \$588,000 and \$1,104,000 for the years ended June 30, 2020 and 2019, respectively.

4. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort and depreciation and facility costs, which are allocated based on indirect cost rates as approved by grantors.

5. Research Awards and Contracts

The Foundation has the following awards from the National Institutes of Health (NIH)/NCI:

Federal Subrecipient Awards From:

- NIH/NCI NRG Oncology Network Group Operation Center;
- NIH/NCI NRG Oncology NCORP Research Base;
- NIH/NCI NRG Oncology Biospecimen Bank.

The Foundation also has contracts with pharmaceutical companies.

6. Employee Benefit Plans

The Foundation maintains a 401(k) profit sharing plan, which covers substantially all employees. The Foundation makes matching contributions equal to 50 percent of each participant's salary reductions up to 8 percent of each participant's salary. Additionally, the Foundation makes discretionary contributions on behalf of eligible employees based upon a percentage scale using an age and years of service criteria. During 2020, the Foundation elected to discontinue the discretionary contributions. Total matching and additional profit sharing contributions made by the Foundation for the years ended June 30, 2020 and 2019 were approximately \$188,000 and \$936,000, respectively.

The Foundation maintains a 457(b) deferred compensation plan which included five Foundation employees as active participants for the years ended June 30, 2020 and 2019. Participants may contribute up to 100 percent of allowable compensation, up to the maximum amount allowed by law. No employer contributions are provided for by the Foundation.

7. Lease Commitments

The Foundation is obligated under the terms of various operating leases for office and laboratory space, certain utilities and equipment. Rent expense approximated \$1,078,000 and \$1,065,000 for the years ended June 30, 2020 and 2019, respectively, and is included in purchased services in the statements of functional expenses. The Foundation's leases for office and laboratory space terminate during the years ending June 30, 2029 and 2024, respectively.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Future minimum rentals under noncancelable operating leases are as follows:

Years ending June 30:	
2021	\$ 1,071,536
2022	1,093,836
2023	1,116,621
2024	979,786
2025	967,340
Thereafter	<u>3,625,765</u>
Total	<u>\$ 8,854,884</u>

8. Concentrations

Revenue earned from federal awards accounted for approximately 9 percent and 13 percent of total revenue for the years ended June 30, 2020 and 2019, respectively.

One pharmaceutical company accounted for approximately 64 percent of total revenue for the year ended June 30, 2020. Two pharmaceutical companies accounted for approximately 49 percent of total revenue for the year ended June 30, 2019.

The Foundation maintains its cash and cash equivalents in bank deposit accounts, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to its cash and cash equivalents.

9. Related-Party Transactions

The Foundation received cash from its subcontract with NRG in the amount of \$3,285,024 and \$3,607,699 during the years ended June 30, 2020 and 2019, respectively. Revenues approximated cash received.

As described in Note 1, the Foundation provided \$700,000 of capital to NRG during the year ended June 30, 2014. This amount is included in interest in net assets of NRG Oncology Foundation Inc. in the June 30, 2020 and 2019 statements of financial position, which totaled \$853,864 and \$775,430, respectively.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

10. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of financial position dates for general expenditures are as follows as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of internal designations. Amounts not available include amounts set aside for programs of the Foundation that could be drawn upon if the Board approves that action.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 9,108,289	\$ 9,606,887
Receivables	780,389	803,860
Investments	<u>62,762,493</u>	<u>65,777,303</u>
Financial assets at year-end	72,651,171	76,188,050
Less those unavailable for general expenditures within one year due to:		
Board designated net assets	<u>12,706,695</u>	<u>13,362,456</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,944,476</u>	<u>62,825,594</u>

As part of the Foundation's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due.

At June 30, 2020 and 2019, management identified approximately \$46,300,000 and \$45,200,000, respectively, of liabilities, including accounts payable, accrued expenses and deferred revenue which will impact the overall liquidity identified above.

11. Coronavirus Disease (COVID-19)

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. For the fiscal year ended June 30, 2020, the COVID-19 outbreak has had an adverse impact on the Foundation's operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of which remains uncertain. Furthermore, the extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, distribution of vaccines, impact on customers, donors and vendors, which cannot be reasonably predicted at the current time. The Board and the Foundation's management continue to monitor the outbreak and its potential financial impact.

12. Paycheck Protection Program

In April, 2020, the Foundation received loan proceeds in the amount of \$1,177,922 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Foundation may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Foundation believes it will meet the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during January of 2021. When legal release is received, the Foundation will record the amount forgiven as forgiveness income within its statement of activities. If any portion of the Foundation's PPP loan is not forgiven, the Foundation will be required to repay that portion, plus interest, over 2 years in 24 installments with the repayment term beginning at the time that the SBA remits the amount forgiven to the Foundation's lender.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

To the Board of Directors of
NSABP Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of NSABP Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon April 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Pittsburgh, Pennsylvania
April 22, 2021

**Independent Auditors' Report on Compliance
for the Major Federal Program and Report on
Internal Control Over Compliance
Required by the Uniform Guidance**

To the Board of Directors of
NSABP Foundation, Inc.

Report on Compliance for the Major Federal Program

We have audited NSABP Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2020. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Pittsburgh, Pennsylvania
April 22, 2021

NSABP Foundation, Inc.

 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2020

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity	Pass Through Entity ID	Trial Number	Federal Expenditures	Expenditures to Subrecipients
Research & Development Cluster						
U.S. Department of Health and Human Services						
National Institutes of Health						
National Cancer Institute						
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-06	1006-01	\$ 414,359	\$ -
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-06	1006-02	930,579	220,825
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-06	1006-03	55,903	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-06	1006-04	49,885	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-01	212,456	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-02	349,073	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-03	25,545	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-04	32,326	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5UG1CA189867-05	1305-01	35,637	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5UG1CA189867-06	1306-01	369,412	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5UG1CA189867-06	1306-02	65,307	-
Total cancer treatment research					<u>2,540,482</u>	<u>220,825</u>
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-05	1405-01	503,141	97,275
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-05	1405-02	44,610	2,421
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-05	1405-03	24,917	-
Total cancer detection and diagnosis research					<u>572,668</u>	<u>99,696</u>
Total expenditures of federal awards					<u>\$ 3,113,150</u>	<u>\$ 320,521</u>

See notes to schedule of expenditures of federal awards

NSABP Foundation, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of NSABP Foundation, Inc. (the Foundation) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Foundation has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NSABP Foundation, Inc.

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2020

Section I - Summary of Auditors' Results**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal program:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal program:

CFDA Numbers	Name of Federal Program or Cluster
93.394	Research and Development Cluster: Cancer Detection and Diagnosis Research Cancer Treatment Research
93.395	

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

NSABP Foundation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Audit Findings

Finding 2019-001 - Internal Control Over Financial Reporting

Condition: Management did not sufficiently monitor its cash disbursements subsequent to year-end and adjust deferred accruals for clinical trials for services provided during the year. This resulted in net revenue and expenditures that should have been recognized as revenue and expenditures in accordance with the terms of the trial contracts. The Foundation's management performed an analysis and determined the nature and amount of adjustment that was required.

Status: Management implemented procedures to monitor cash disbursements. No similar findings were noted during the current year.