

NSABP Foundation, Inc.

Financial Statements and
Supplementary Information

June 30, 2021

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. (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Restatement

As discussed in Note 1 to the financial statements, the beginning net assets have been restated to correct an error related to deferred industry research program revenue that should have been recognized in the period the programs were completed. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, on July 1, 2020, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was 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* 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 June 28, 2022 on our consideration of the Foundation'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 the Foundation'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 the Foundation's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Pittsburgh, Pennsylvania
June 28, 2022

NSABP Foundation, Inc.

Statement of Financial Position

June 30, 2021

Assets

Cash and cash equivalents	\$ 17,264,476
Receivables	3,431,263
Receivable from NRG Oncology Foundation, Inc.	595,897
Unbilled receivables	1,263,349
Investments	65,210,619
Interest in net assets of NRG Oncology Foundation, Inc.	901,601
Prepaid expenses and other assets	1,193,327
Property and equipment, net	<u>473,402</u>
Total assets	<u>\$ 90,333,934</u>

Liabilities and Net Assets**Liabilities**

Accounts payable and accrued liabilities	\$ 11,406,621
Deferred revenue	<u>26,545,355</u>
Total liabilities	<u>37,951,976</u>

Net Assets

Without donor restrictions	52,332,208
With donor restrictions	<u>49,750</u>
Total net assets	<u>52,381,958</u>
Total liabilities and net assets	<u>\$ 90,333,934</u>

See notes to financial statements

NSABP Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021

Changes in Net Assets Without Donor Restrictions

Revenue and Public Support

Federal research programs	\$ 2,984,252
Industry research programs	40,865,051
State tobacco grants	1,724
Contributions and sponsorships	13,879
Other income	873,887

Total revenue and public support 44,738,793

Expenses

Research programs:	
Federal	2,984,252
Industry	42,317,901
State	1,724
General and administrative	2,277,563

Total expenses 47,581,440

Operating loss (2,842,647)

Investment and Other Income

Interest and dividend income	946,335
Realized and unrealized gains on investments	10,625,531
Paycheck Protection Program loan forgiveness	1,177,922
Change in value of interest in net assets of NRG Oncology Foundation, Inc.	47,737

Total investment and other income 12,797,525

Change in net assets without donor restrictions 9,954,878

Changes in Net Assets With Donor Restrictions

Contributions 49,750

Change in net assets \$ 10,004,628

Net Assets, Beginning as Originally Reported

	\$ 29,511,817
Cumulative effect of change in accounting principle	4,190,296
Correction of error	8,675,217

Net Assets, Beginning as Restated

42,377,330

Change in net assets 10,004,628

Net Assets, Ending

\$ 52,381,958

See notes to financial statements

NSABP Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Federal</u>	<u>Industry</u>	<u>State</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and fringe benefits	\$ 1,879,134	\$ 4,201,325	\$ -	\$ 3,251,706	\$ 9,332,165
Professional fees	4,106	2,031,616	-	1,193,920	3,229,642
Purchased services	-	150,852	-	2,313,153	2,464,005
Travel	-	80,850	-	2,753	83,603
Office and other costs	1,856	52,715	-	293,858	348,429
Insurance	-	408	-	114,384	114,792
Program costs	65,305	243,409	1,461	1,552	311,727
Purchased service agreements	-	8,066,016	-	-	8,066,016
Subcontracts	409,046	22,734,246	-	-	23,143,292
Depreciation and amortization	-	-	-	487,769	487,769
Facilities and administrative allocation	624,805	4,756,464	263	(5,381,532)	-
Total expenses	<u>\$ 2,984,252</u>	<u>\$ 42,317,901</u>	<u>\$ 1,724</u>	<u>\$ 2,277,563</u>	<u>\$ 47,581,440</u>

See notes to financial statements

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

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.

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.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

As of June 30, 2021, the Board of the Foundation has designated \$12,420,857 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 and changes in net assets as net assets released from restrictions.

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 at June 30, 2021.

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.

Receivables

Receivables consist of grant and contract receivables from federal agencies and nonfederal sources. The receivables from federal agencies primarily consist of expenses incurred on clinical trials for which reimbursements have not been received. The receivables from nonfederal sources are primarily for services in connection with clinical trials which are billed according to the terms of the contract. 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.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

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 \$48,000 for the year ended June 30, 2021.

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 services have not yet been performed. The Foundation recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers*. The deferred revenue is recognized over the period of performance or at a point in time related to the satisfaction of a specific performance obligation.

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. Contributions that are subject to donor-imposed stipulations that the corpus be maintained permanently are recognized 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.

Revenue Recognition

Revenues are recorded under ASU No. 2014-09, *Revenue From Contracts With Customers* or ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, depending on whether the contracts are considered exchange or nonexchange transactions.

Governmental revenues are recorded under ASU No. 2018-08, where 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. Funding for these contracts is collected upon invoice after the expense has been incurred.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

Pharmaceutical revenues are primarily recorded under ASU No. 2014-09, where the performance obligation is to perform the indicated services for the pharmaceutical companies under the clinical trial contract. Generally, performance obligations are determined based on the nature of the services provided, which typically include project management, data management, site payments and management of other vendors and subcontractors for services such as drug distribution, safety reporting and data management. Depending on the performance obligation, revenues are recognized at a point in time services are performed or over time using the input method as the services are performed and costs are incurred. Funding for these contracts is both collected in advance and upon invoice, depending on the payment terms negotiated in the contract.

The timing of revenue recognition, billings and cash collections results in both billed and unbilled receivables in the accompanying statement of financial position. The unbilled receivables (contract assets) represent the excess of revenue recognized to date over billings to date on certain contracts. The Foundation has contract assets (unbilled receivables) in the amount of \$1,263,349 as of June 30, 2021. The deferred revenue (contract liabilities) represent cash collections in excess of revenue recognition. The Foundation has contract liabilities in the amount of \$26,545,355 as of June 30, 2021.

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 2021.

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.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

New Accounting Standard Adopted

In 2021, the Foundation adopted FASB ASU No. 2014-09, *Revenue From Contracts With Customers*. The amendments in this update establish 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. The Foundation adopted this standard using the modified retrospective approach with the cumulative effect of initially applying the standard at the date of initial application. The cumulative effect related to the adoption of the standard resulted in an increase of \$4,190,296 to the beginning net assets for the year ended June 30, 2021.

New Accounting Standards Not Yet Adopted

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.

Restatement

During the year ended June 30, 2021, the Foundation determined that a number of clinical trials were completed and not properly closed out and recognized in prior years. The residual deferred revenue balances were not properly recognized as industry research program revenue at the end of the trials. The effect of this error is an increase to the beginning net assets without donor restrictions and total net assets and a decrease in deferred revenue and total liabilities in the amount of \$8,675,217 for the year ended June 30, 2021.

Subsequent Events

The Foundation has evaluated subsequent events for recognition or disclosure through June 28, 2022 the date these financial statements were available to be issued.

2. Investments and Fair Value Measurements

Investments are presented in the accompanying statement of financial position at their fair value. The carrying value of investments is summarized as follows at June 30, 2021:

	<u>Cost Basis</u>	<u>Fair Value</u>
Mutual funds	\$ 28,533,656	\$ 32,104,232
Equity securities	16,500,889	18,583,188
Fixed income securities	4,304,122	4,219,463
Alternative fixed income fund	-	49,536
Corporate bonds	1,672,021	1,658,025
U.S. Treasury notes	8,676,440	8,596,175
Total	<u>\$ 59,687,128</u>	<u>\$ 65,210,619</u>

The Foundation paid investment management fees of approximately \$116,000 during the year ended June 30, 2021, which is netted against interest and dividend income on the statement of activities and changes in net assets.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

Fair values of investments measured on a recurring basis are as follows at June 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Equity securities	\$ 30,078,301	\$ 30,078,301	\$ -	\$ -
Fixed income	2,025,931	2,025,931	-	-
	32,104,232	32,104,232	-	-
Equity securities	18,583,188	18,583,188	-	-
Fixed income securities	4,219,463	4,219,463	-	-
Alternative fixed income fund	49,536	-	-	49,536
Corporate bonds	1,658,025	-	1,658,025	-
U.S. Treasury notes	8,596,175	8,596,175	-	-
Total	<u>\$ 65,210,619</u>	<u>\$ 63,503,058</u>	<u>\$ 1,658,025</u>	<u>\$ 49,536</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, 2021:

U.S. Treasury notes, corporate bonds, fixed income securities and equity securities 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.

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended June 30, 2021:

	<u>Alternative Fixed Income Fund</u>
Beginning balance	\$ 70,740
Capital distributions	(17,947)
Total unrealized losses	<u>(3,257)</u>
Total	<u>\$ 49,536</u>

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

The unrealized (depreciation) related to Level 3 investments still held was \$(3,257) at June 30, 2021.

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, 2021.

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, 2021:

Equipment	\$	4,160,486
Software		6,219,877
Leasehold improvements		<u>1,043,543</u>
Total		11,423,906
Less accumulated depreciation and amortization		<u>10,950,504</u>
Property and equipment, net	\$	<u><u>473,402</u></u>

Depreciation and amortization expense totaled approximately \$488,000 for the year ended June 30, 2021.

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.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

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. Total matching profit sharing contributions made by the Foundation for the year ended June 30, 2021 was approximately \$229,000.

The Foundation maintains a 457(b) deferred compensation plan which included five Foundation employees as active participants for the year ended June 30, 2021. 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 \$1,132,000 for the year ended June 30, 2021, and is included in purchased services in the statement of functional expenses. The Foundation's leases for office and laboratory space terminate during the years ending June 30, 2029 and 2024, respectively.

Future minimum rentals under noncancelable operating leases are as follows:

Years ending June 30:		
2022	\$	1,093,818
2023		1,094,335
2024		1,140,954
2025		1,164,802
2026		1,172,563
Thereafter		<u>3,183,048</u>
Total	\$	<u>8,849,520</u>

8. Endowment Fund

During the year ended June 30, 2021, the Foundation created the NSABP Endowment for Scientific and Institutional Advancement (the Fund). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation is working to adopt investment and spending policies for endowment assets. The primary investment objective of the endowment fund is to collect contributions that provide financial support for the long-term, strategic interests of the Foundation.

For the year ended June 30, 2021, there were no distributions from the Fund.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

Changes in endowment net assets are as follows for the year ended June 30, 2021:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ -	\$ -
Investment return, net	-	-
Contributions	29,750	29,750
Appropriation of endowment assets for expenditure	-	-
Endowment net assets, June 30, 2021	<u>\$ 29,750</u>	<u>\$ 29,750</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. At June 30, 2021, there were no underwater investments.

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>With Donor Restrictions</u>		
	<u>Original Gift</u>	<u>Accumulated Gain</u>	<u>Total Funds</u>
Donor-restricted funds	\$ 29,750	\$ -	\$ 29,750
Total	<u>\$ 29,750</u>	<u>\$ -</u>	<u>\$ 29,750</u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2021:

	<u>2020</u>
Purpose restrictions:	
Philanthropy Program	\$ 20,000
NSABP Endowment for Scientific and Institutional Advancement, endowment	<u>29,750</u>
Total	<u>\$ 49,750</u>

10. Concentrations

Revenue earned from federal awards accounted for approximately 7 percent of total revenue for the year ended June 30, 2021.

One pharmaceutical company accounted for approximately 77 percent of total revenue for the year ended June 30, 2021.

Two pharmaceutical companies accounted for approximately 62 percent of total accounts receivable for the year ended June 30, 2021.

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.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

11. Related-Party Transactions

The Foundation received cash from its subcontract with NRG in the amount of \$3,164,420 during the year ended June 30, 2021. 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, 2021 statement of financial position, which totaled \$901,601.

12. 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, 2021, 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.

Financial assets:	
Cash and cash equivalents	\$ 17,264,476
Receivables	4,027,160
Investments	<u>65,210,619</u>
Financial assets at year-end	86,502,255
Less those unavailable for general expenditures within one year due to:	
Board designated net assets	12,420,857
NSABP Endowment for Scientific and Institutional Advancement	<u>29,750</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 74,051,648</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, 2021, management identified approximately \$38,000,000 of liabilities, including accounts payable, accrued expenses and deferred revenue which will impact the overall liquidity identified above.

13. 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 24 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.

NSABP Foundation, Inc.

Notes to Financial Statements

June 30, 2021

Any unforgiven portion is payable over two years if issued before, or five 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 met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during January 2021. Legal release was received during June 2021, therefore, the Foundation recorded forgiveness income of \$1,177,922 for the year ended June 30, 2021 within the statement of activities and changes in net assets.

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 statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon June 28, 2022.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

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*.

Foundation's Response to Findings

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Pittsburgh, Pennsylvania
June 28, 2022

**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, 2021. 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* 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, 2021.

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.

Baker Tilly US, LLP

Pittsburgh, Pennsylvania
June 28, 2022

NSABP Foundation, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity ID	Trial Number	Federal Expenditures	Expenditures to Subrecipients
Research and 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	1006-02	\$ 28,809	\$ 22,367
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-01	338,790	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-02	887,871	307,915
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-03	55,475	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-07	1007-04	48,079	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-08	1008-01	202,986	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-08	1008-02	262,152	18,866
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-08	1008-03	62,504	-
Cancer Treatment Research	93.395	NRG Oncology, Inc.	5U10CA180868-08	1008-04	35,441	-
Total cancer treatment research					<u>1,922,107</u>	<u>349,148</u>
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-05	1405-01	63,100	10,950
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-05	1405-02	66,148	31,357
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-06	1406-01	278,919	59,971
Cancer Detection and Diagnosis Research	94.394	NRG Oncology, Inc.	U24CA196067-06	1406-03	91	-
Cancer Detection and Diagnosis Research	94.394	NRG Oncology, Inc.	U24CA196067-07	1407-01	92,877	7,566
Cancer Detection and Diagnosis Research	93.394	NRG Oncology, Inc.	U24CA196067-07	1407-03	58	-
Total cancer detection and diagnosis research					<u>501,193</u>	<u>109,844</u>
Cancer Control	93.399	NRG Oncology, Inc.	5UG1CA189867-06	1306-01	36,344	-
Cancer Control	93.399	NRG Oncology, Inc.	5UG1CA189867-06	1306-02	18,197	-
Cancer Control	93.399	NRG Oncology, Inc.	5UG1CA189867-07	1307-01	373,668	-
Cancer Control	93.399	NRG Oncology, Inc.	5UG1CA189867-07	1307-02	164,363	-
Total cancer control					<u>592,572</u>	<u>-</u>
Total expenditures of federal awards					<u>\$ 3,015,872</u>	<u>\$ 458,992</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, 2021

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, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the 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, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.395	Research and Development Cluster:
93.394	Cancer Treatment Research
93.399	Cancer Detection and Diagnosis Research
	Cancer Control

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes no

NSABP Foundation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II - Financial Statement Findings

Finding 2021-001 - Internal Control Over Financial Reporting

Criteria: Generally accepted accounting principles require adequate controls over financial reporting. During the current year, the Foundation recorded various adjustments to correct the financial statements subsequent to providing the initial trial balance. These adjustments were a combination of adjustments management provided and adjustments proposed as a result of audit procedures. The adjustments in aggregate were considered to be material to the financial statements as a whole, and accordingly, are considered to be a material weakness in internal control over financial reporting.

Condition: During the course of the audit of the June 30, 2021 financial statements, several adjusting journal entries were identified which indicates a lack of operating effectiveness of internal controls over the financial reporting process.

Cause and Effect: These adjustments were primarily a result of limitations to staffing within the accounting and finance department, and the adoption of new accounting standards.

Recommendation: Policies and procedures relating to year-end financial reporting should be reviewed to determine whether improvements to accuracy and timeliness of financial information are feasible. Management and the governing board, or designated committee, should continue to make reasonable efforts to become knowledgeable about the reporting process and upcoming accounting standards.

Management Response: Management agrees with the finding and is implementing procedures to address this going forward.

Finding 2021-002 - Internal Control Over Financial Reporting

Criteria: Generally accepted accounting principles require adequate controls over financial reporting. During the year ended June 30, 2021, the Foundation recorded a prior period adjustment to correct a prior period error in the deferred revenue balance.

Condition: During the year ended June 30, 2021, management performed an analysis of all deferred revenue amounts as part of the process of implementing the new accounting standard for revenue recognition. This resulted in the identification of net residual deferred revenue that should have been recognized as revenue prior to July 1, 2021, in accordance with the terms of the trial contracts.

Cause and Effect: Management in prior years did not closely monitor and adjust deferred revenue for clinical trials to recognize revenue when there was no longer any additional performance obligations under the contracts. The result is that net assets without donor restrictions were understated at the beginning of the year.

Recommendation: Management should continue to monitor contractual obligations and record revenue in accordance with the terms of those contracts.

Management Response: Management agrees with the finding and is implementing procedures to address this going forward.

NSABP Foundation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary of Prior Year Audit Findings

None.