

**CONNECTICUT CANCER FOUNDATION, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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Capossela, Cohen, LLC

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Independent Auditor's Report

**To the Board of Directors
Connecticut Cancer Foundation, Inc.
Old Saybrook, Connecticut**

Opinion

We have audited the accompanying consolidated financial statements of Connecticut Cancer Foundation, Inc. and Subsidiary (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Cancer Foundation, Inc. and Subsidiary as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Connecticut Cancer Foundation, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Cancer Foundation, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connecticut Cancer Foundation, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capossela, Cohen, LLC

October 11, 2022

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| | Assets | |
|---|-----------------------------------|----------------------|
| | <u>2022</u> | <u>2021</u> |
| Current assets | | |
| Cash and cash equivalents | \$ 635,948 | \$ 361,597 |
| Pledges receivable, current portion | 143,000 | 180,000 |
| Prepaid expenses | 10,035 | 3,093 |
| Memorabilia inventory | 12,042 | 11,946 |
| Total current assets | <u>801,025</u> | <u>556,636</u> |
| Fixed assets | | |
| Land, building and improvements | 2,340,963 | 2,340,963 |
| Equipment | 174,678 | 174,678 |
| Furniture and fixtures | 96,102 | 96,102 |
| Construction in progress | 6,020 | - |
| | <u>2,617,763</u> | <u>2,611,743</u> |
| Accumulated depreciation | (474,417) | (375,427) |
| | <u>2,143,346</u> | <u>2,236,316</u> |
| Other assets | | |
| Investments | 7,719,209 | 8,581,362 |
| Pledges receivable, net of current portion | <u>96,154</u> | <u>24,038</u> |
| Total assets | <u>\$ 10,759,734</u> | <u>\$ 11,398,352</u> |
| | | |
| | Liabilities and net assets | |
| Current liabilities | | |
| Portfolio loan payable, current portion | \$ 305,323 | \$ 350,000 |
| Accounts payable and accrued expenses | <u>8,888</u> | <u>7,998</u> |
| Total current liabilities | 314,211 | 357,998 |
| Portfolio loan payable, net of current portion | <u>1,000,000</u> | <u>1,000,000</u> |
| Total liabilities | 1,314,211 | 1,357,998 |
| Net assets | | |
| Without donor restrictions | 9,229,255 | 9,997,342 |
| With donor restrictions | <u>216,268</u> | <u>43,012</u> |
| Total net assets | <u>9,445,523</u> | <u>10,040,354</u> |
| Total liabilities and net assets | <u>\$ 10,759,734</u> | <u>\$ 11,398,352</u> |

See accompanying notes and independent auditor's report

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|---|---|--|-------------------------|
| Operating activities | | | |
| Contributions of cash and other financial assets | \$ 668,341 | \$ 152,764 | \$ 821,105 |
| Contributions of nonfinancial assets | 6,500 | - | 6,500 |
| Special event income (integral and ongoing) (Note K): | | | |
| Ticket sales and auction revenue | 353,154 | - | 353,154 |
| Contributions of cash and other financial assets | 75,248 | - | 75,248 |
| Contributions of nonfinancial assets | 69,836 | - | 69,836 |
| Gross special event income (integral and ongoing) | 498,238 | - | 498,238 |
| Less: costs of direct benefits to donors | (99,572) | - | (99,572) |
| Net special event income (integral and ongoing) | 398,666 | - | 398,666 |
| Special events, net (peripheral and incidental) | 3,272 | 194,545 | 197,817 |
| Miscellaneous revenue | 1,563 | - | 1,563 |
| Total revenue and support before releases | <u>1,078,342</u> | <u>347,309</u> | <u>1,425,651</u> |
| Net assets released from restrictions | <u>174,053</u> | (<u>174,053</u>) | <u>-</u> |
| Total revenues and support | 1,252,395 | 173,256 | 1,425,651 |
| Expenses | | | |
| Program services | 950,441 | - | 950,441 |
| Management and general | 73,445 | - | 73,445 |
| Fundraising | 121,005 | - | 121,005 |
| Total expenses | <u>1,144,891</u> | <u>-</u> | <u>1,144,891</u> |
| Change in net assets from operating activities | 107,504 | 173,256 | 280,760 |
| Non-operating activities | | | |
| Investment return | (875,591) | - | (875,591) |
| Change in net assets | (768,087) | 173,256 | (594,831) |
| Net assets, beginning | <u>9,997,342</u> | <u>43,012</u> | <u>10,040,354</u> |
| Net assets, ending | <u>\$ 9,229,255</u> | <u>\$ 216,268</u> | <u>\$ 9,445,523</u> |

See accompanying notes and independent auditor's report

**CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended June 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------------------|
| Operating activities | | | |
| Contributions of cash and other financial assets | \$ 531,214 | \$ 55,000 | \$ 586,214 |
| Special event income (integral and ongoing) (Note K): | | | |
| Ticket sales and auction revenue | 243,843 | - | 243,843 |
| Contributions of cash and other financial assets | <u>12,122</u> | <u>-</u> | <u>12,122</u> |
| Gross special event income (integral and ongoing) | 255,965 | - | 255,965 |
| Less: direct expenses | (12,706) | - | (12,706) |
| Net special event income (integral and ongoing) | <u>243,259</u> | <u>-</u> | <u>243,259</u> |
| Special events, net (peripheral and incidental) | 350 | 39,904 | 40,254 |
| Miscellaneous revenue | 2,288 | - | 2,288 |
| Conditional contribution - income from PPP loan forgiveness - second loan | <u>33,778</u> | <u>-</u> | <u>33,778</u> |
| Total revenue and support before releases | <u>810,889</u> | <u>94,904</u> | <u>905,793</u> |
| Net assets released from restrictions | <u>280,679</u> | (<u>280,679</u>) | <u>-</u> |
| Total revenues and support | 1,091,568 | (185,775) | 905,793 |
| Expenses | | | |
| Program services | 877,632 | - | 877,632 |
| Management and general | 70,291 | - | 70,291 |
| Fundraising | <u>100,684</u> | <u>-</u> | <u>100,684</u> |
| Total expenses | <u>1,048,607</u> | <u>-</u> | <u>1,048,607</u> |
| Change in net assets from operating activities | 42,961 | (185,775) | (142,814) |
| Non-operating activities | | | |
| Investment return | <u>1,447,464</u> | <u>-</u> | <u>1,447,464</u> |
| Change in net assets | 1,490,425 | (185,775) | 1,304,650 |
| Net assets, beginning | <u>8,506,917</u> | <u>228,787</u> | <u>8,735,704</u> |
| Net assets, ending | \$ <u><u>9,997,342</u></u> | \$ <u><u>43,012</u></u> | \$ <u><u>10,040,354</u></u> |

See accompanying notes and independent auditor's report

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

Indirect Method

Increase (decrease) in cash

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$(594,831) | \$ 1,304,650 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation expense | 98,991 | 98,991 |
| Unrealized and realized losses (gains) on investments, net | 1,144,102 | (1,221,950) |
| Income from forgiveness of PPP loans | - | (81,378) |
| Change in discount on pledges receivable | 2,884 | (6,693) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | (38,000) | 128,000 |
| Prepaid expenses | (6,942) | (167) |
| Memorabilia inventory | (96) | 1,156 |
| Accounts payable and accruals | 890 | 807 |
| Net cash from operating activities | <u>606,998</u> | <u>223,416</u> |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (6,020) | - |
| Investment proceeds | 119,353 | 434,084 |
| Purchases of investments | (401,303) | (879,503) |
| Net cash from investing activities | <u>(287,970)</u> | <u>(445,419)</u> |
| Cash flows from financing activities: | | |
| Net change in portfolio loan payable | (44,677) | (250,000) |
| Proceeds from PPP funding | - | 33,778 |
| Net cash from financing activities | <u>(44,677)</u> | <u>(216,222)</u> |
| Net change in cash and cash equivalents | 274,351 | (438,225) |
| Cash and cash equivalents at beginning of year | <u>361,597</u> | <u>799,822</u> |
| Cash and cash equivalents at end of year | <u>\$ 635,948</u> | <u>\$ 361,597</u> |

See accompanying notes and independent auditor's report

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

| | <u>Program Expenses</u> | <u>Management & General</u> | <u>Fund- Raising</u> | <u>Total</u> |
|--------------------------------------|-----------------------------|-------------------------------------|--------------------------|---------------------|
| Salaries | \$ 106,147 | \$ 15,438 | \$ 32,794 | \$ 154,378 |
| Payroll taxes | 8,512 | 1,238 | 2,630 | 12,380 |
| Employee health - executive director | 12,689 | 1,952 | 4,880 | 19,522 |
| Research grants | 155,000 | - | - | 155,000 |
| Cancer recipient payments | 517,920 | - | - | 517,920 |
| Professional fees | - | 23,890 | - | 23,890 |
| Blackbaud subscription fees | - | - | 3,000 | 3,000 |
| Credit card fees | - | 1,690 | 1,456 | 3,146 |
| Office supplies and miscellaneous | 2,275 | 1,366 | 5,459 | 9,099 |
| Insurance | 2,899 | 1,740 | 6,958 | 11,597 |
| Interest expense | 22,672 | 5,232 | 6,976 | 34,880 |
| Marketing and development | - | - | 23,150 | 23,150 |
| Other program expenses | 36,856 | - | - | 36,856 |
| Telephone | 832 | 499 | 1,997 | 3,328 |
| Payroll processing fees | 1,536 | 223 | 475 | 2,233 |
| Repairs and maintenance | 15,577 | 3,595 | 4,793 | 23,964 |
| Utilities | 478 | 110 | 147 | 736 |
| Travel | 234 | 141 | 562 | 937 |
| Website | 2,471 | 1,483 | 5,930 | 9,884 |
| Depreciation | 64,344 | 14,849 | 19,798 | 98,991 |
| | <u>\$ 950,441</u> | <u>\$ 73,445</u> | <u>\$ 121,005</u> | <u>\$ 1,144,891</u> |

See accompanying notes and independent auditor's report

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

| | <u>Program Expenses</u> | <u>Management & General</u> | <u>Fund- Raising</u> | <u>Total</u> |
|--------------------------------------|-----------------------------|-------------------------------------|--------------------------|---------------------|
| Salaries | \$ 103,687 | \$ 15,110 | \$ 32,302 | \$ 151,099 |
| Payroll taxes | 8,323 | 1,213 | 2,593 | 12,129 |
| Employee health - executive director | 13,436 | 2,067 | 5,168 | 20,671 |
| Research grants | 135,000 | - | - | 135,000 |
| Cancer recipient payments | 492,234 | - | - | 492,234 |
| Professional fees | - | 23,188 | - | 23,188 |
| Blackbaud subscription fees | - | - | 3,000 | 3,000 |
| Credit card fees | - | 1,628 | 34 | 1,662 |
| Office supplies and miscellaneous | 1,403 | 843 | 3,367 | 5,613 |
| Insurance | 2,745 | 1,647 | 6,587 | 10,979 |
| Interest expense | 28,280 | 6,526 | 8,701 | 43,507 |
| Marketing and development | - | - | 11,472 | 11,472 |
| Other program expenses | 16,934 | - | - | 16,934 |
| Telephone | 826 | 496 | 1,982 | 3,304 |
| Payroll processing fees | 1,361 | 198 | 424 | 1,983 |
| Repairs and maintenance | 6,876 | 1,587 | 2,116 | 10,579 |
| Utilities | 1,004 | 232 | 309 | 1,544 |
| Travel | 253 | 152 | 608 | 1,013 |
| Website | 926 | 556 | 2,223 | 3,705 |
| Depreciation | 64,344 | 14,849 | 19,798 | 98,991 |
| | <u>\$ 877,632</u> | <u>\$ 70,290</u> | <u>\$ 100,684</u> | <u>\$ 1,048,607</u> |

See accompanying notes and independent auditor's report

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note A - Organizations and Summary of Significant Accounting Policies

Organizations

Connecticut Cancer Foundation, Inc. (the “Foundation”) (formerly known as the Connecticut Sports Foundation Against Cancer, Inc.) is a nonprofit organization incorporated in 1987 in the State of Connecticut, whose purpose is to provide funds to benefit families affected by cancer and to support cancer research and education. The Foundation is led by a 10 member board of directors and a 15 member advisory board. Both boards consist of professionals, community leaders, financial experts and former professional athletes.

CF 15 North Main Street, LLC (the “Subsidiary”) is a wholly owned subsidiary of the Foundation, and was organized to assist in furthering the Foundation’s charitable purpose. The Subsidiary was formed during the fiscal year ended June 30, 2017, and owns the property where Connecticut Cancer Foundation, Inc. is headquartered.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Connecticut Cancer Foundation, Inc. and its wholly owned subsidiary, CF 15 North Main Street, LLC. Intercompany transactions and balances have been eliminated in the consolidation.

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”).

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior year reclassifications

Certain amounts in the prior year have been reclassified for comparative presentation purposes.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note A - Organizations and Summary of Significant Accounting Policies (continued)

Contributions

Unconditional promises to give are recorded as contributions receivable when the promise is received. Unconditional promises are included in the consolidated financial statements as contributions receivable and revenue in the appropriate net asset category. Multi-year pledges are recorded after discounting the present value of the future cash flows at an annual rate of 4%. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of fixed assets and investment securities are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of fixed assets are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

During the year ended June 30, 2022, contributed nonfinancial assets included in the consolidated statement of activities included:

| | | |
|---------------------------------|----|---------------|
| IT services | \$ | 6,000 |
| Signage | | 500 |
| Landscaping services | | 15,000 |
| Food | | 35,000 |
| Event space | | 15,000 |
| Gift bags and printing services | | 4,836 |
| | \$ | <u>76,336</u> |

Contributions of landscaping services, food, event space, gift bags and printing services were received in connection with the Foundation's annual event (see Note K). Contributed nonfinancial assets did not have any donor-imposed restrictions and were fully utilized during the year ended June 30, 2022. The value of the contributed nonfinancial assets listed above were estimated by the Foundation based on current rates for similar goods and services.

A substantial number of unpaid volunteers make significant contributions of their time to develop and staff the Foundation's events and programs. The value of this contributed time is not reflected in these consolidated financial statements since it is not susceptible to objective measurement or valuation.

The Foundation participated in the Connecticut Neighborhood Assistance Act Program, which is a tax credit program established by the State of Connecticut designed to help provide funding for municipal and tax exempt organizations by providing tax credits for Connecticut businesses that make donations to municipal and tax exempt organizations participating in the program. During the year ended June 30, 2022, the Foundation received donations totaling \$92,500 through the Connecticut Neighborhood Assistance Act Program. These funds were fully expended for financial assistance to cancer patients.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note A - Organizations and Summary of Significant Accounting Policies (continued)

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Revenue recognition

The Foundation recognizes revenue pursuant to Accounting Standard Codification (ASC) Topic 606, "Revenue from Contracts with Customers" (Topic 606). The standard provides for a comprehensive five-step model for recognizing revenue. The core principle of Topic 606 is that revenue shall be recognized when goods and services promised under a contract are transferred to the customer, as contemplated under the contract and for which the Foundation is reasonably entitled to compensation.

Income tax status

The Foundation is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to federal or state corporate income taxes. The Foundation has no unrecognized tax benefits at June 30, 2022. The Foundation's federal information returns prior to fiscal year 2018 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Subsidiary is a limited liability company and does not pay federal or state income taxes. Accordingly, no provision for income taxes is recorded.

If the Foundation had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statement of financial position.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation and Subsidiary consider all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

Pledges receivable

Pledges receivable represent unconditional promises to give that are recognized in the period in which the promise is received. Management evaluates the need for an allowance for uncollectible pledges based upon factors surrounding the credit worthiness, historical collection trends and current economic conditions. Receivables are written off only when management believes amounts will not be collected. No allowance for uncollectible pledges was deemed necessary as of June 30, 2022 and 2021.

Memorabilia inventory

Memorabilia inventory is stated at the lower of cost, determined by the first-in, first-out method, or market.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note A - Organizations and Summary of Significant Accounting Policies (continued)

Fixed assets

Fixed assets are recorded at cost when purchased and fair value when donated. Fixed assets include land, building and improvements, equipment and furniture and fixtures which are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over estimated useful lives ranging from 5 to 39 years.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Investments

Investments are reported at fair value, and are comprised of marketable securities maintained with a financial institution, as well as certain assets purchased and held for investment purposes. The Foundation's investments are under the direction of the Board of Directors. Investment activity is administered by an outside investment manager according to the Foundation's written investment policy which includes criteria for current and total returns, risk tolerance, diversification and asset allocation. The brokerage account is under the auspices of the Securities Investor Protection Corporation ("SIPC"), which provides limited protection in the event of a brokerage firm failure.

Functional expenses

Costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|--|------------------------------------|
| Salaries, employee health, payroll taxes, payroll fees | Time and effort |
| Office supplies, fees, website and miscellaneous | Time and effort |
| Insurance | Time and effort |
| Interest | Square footage |
| Telephone | Time and effort |
| Repairs and utilities | Square footage |
| Travel | Time and effort |
| Depreciation | Square footage |

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note B - Concentrations

Credit and market risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, pledges and investments. 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. At June 30, 2022, there was approximately \$313,000 exceeding federally insured limits.

One donor comprised 82% of the amounts reported as pledges receivable as of June 30, 2022. Pledges receivable are expected to be collected over the next two years.

Investments consisting of stocks, mutual funds and fixed income securities with high credit ratings, are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit, market and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the Foundation's investments which could materially affect amounts reported in the consolidated financial statements.

Note C - Pledges Receivable

Unconditional pledges receivable as of June 30, 2022 and 2021 are expected to be realized in the following periods:

| | <u>2022</u> | <u>2021</u> |
|----------------------|-------------------|-------------------|
| Within one year | \$ 143,000 | \$ 180,000 |
| In one to five years | 100,000 | 25,000 |
| More than five years | - | - |
| | <u>243,000</u> | <u>205,000</u> |
| Discount | (3,846) | (962) |
| | <u>\$ 239,154</u> | <u>\$ 204,038</u> |

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

Amounts are shown in the consolidated statements of financial position as of June 30, 2022 and 2021 as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------|-------------------|-------------------|
| Current | \$ 143,000 | \$ 180,000 |
| Long-term | 96,154 | 24,038 |
| | <u>\$ 239,154</u> | <u>\$ 204,038</u> |

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note D - Investments

At June 30, 2022 and 2021, investments consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|---------------------|---------------------|
| Corporate fixed income | \$ 3,971,127 | \$ 4,455,703 |
| Equities | 1,849,287 | 2,176,096 |
| Exchange-traded and closed-end funds | 1,395,700 | 1,479,317 |
| Government securities | 173,196 | 195,479 |
| Money market funds | 215,617 | 153,223 |
| Open-end mutual funds | 96,782 | 101,244 |
| Artwork | 17,500 | 20,300 |
| | <u>\$ 7,719,209</u> | <u>\$ 8,581,362</u> |

The following summarizes investment income (loss) for the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|---------------------|
| Interest and dividends | \$ 312,263 | \$ 264,304 |
| Less investment management fees | (43,752) | (38,791) |
| Net unrealized and realized (loss) gain | (1,144,102) | 1,221,951 |
| Total investment (loss) income | <u>\$ (875,591)</u> | <u>\$ 1,447,464</u> |

Note E - Fair Value Measurements

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note E - Fair Value Measurements (continued)

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The fair values of exchange-traded and closed-end funds and equities for June 30, 2022 and 2021 were obtained from real time quotes for transactions in active exchange markets (Level 1). Mutual funds and money market funds are valued at the daily closing price as reported. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price (Level 1). The fair values of corporate bonds and government securities were based on yields available on comparable instruments (Level 2). The Foundation has invested in artwork as an alternative method of investment and expects to hold artwork for a short period of time. Artwork is valued at cost which approximates fair value. There were no changes in methodologies in 2022 and 2021.

The preceding methods 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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial assets carried at fair value at June 30, 2022 and 2021 are classified in the tables below in one of three categories described above:

| <u>June 30, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Corporate fixed income | \$ - | \$ 3,971,127 | \$ - | \$ 3,971,127 |
| Equities | 1,849,287 | - | - | 1,849,287 |
| Exchange-traded and closed-end funds | 1,395,700 | - | - | 1,395,700 |
| Government securities | - | 173,196 | - | 173,196 |
| Money market funds | 215,617 | - | - | 215,617 |
| Open-end mutual funds | 96,782 | - | - | 96,782 |
| Artwork | - | - | 17,500 | 17,500 |
| | <u>\$ 3,557,386</u> | <u>\$ 4,144,323</u> | <u>\$ 17,500</u> | <u>\$ 7,719,209</u> |

| <u>June 30, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Corporate fixed income | \$ - | \$ 4,455,703 | \$ - | \$ 4,455,703 |
| Equities | 2,176,096 | - | - | 2,176,096 |
| Exchange-traded and closed-end funds | 1,479,317 | - | - | 1,479,317 |
| Government securities | - | 195,479 | - | 195,479 |
| Money market funds | 153,223 | - | - | 153,223 |
| Open-end mutual funds | 101,244 | - | - | 101,244 |
| Artwork | - | - | 20,300 | 20,300 |
| | <u>\$ 3,909,880</u> | <u>\$ 4,651,182</u> | <u>\$ 20,300</u> | <u>\$ 8,581,362</u> |

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note E - Fair Value Measurements (continued)

Corporate fixed income includes corporate bonds with Standard & Poor's credit ratings ranging between AAA and BB.

Details regarding assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

| | | |
|------------------------|----|---------------|
| Balance, July 1, 2021 | \$ | 20,300 |
| Sales | (| 2,800) |
| Purchases | | - |
| Donations | | - |
| Balance, June 30, 2022 | \$ | <u>17,500</u> |

Note F - Debt

Portfolio loan payable

The Foundation has a portfolio loan agreement with available borrowings of up to \$2,200,000, payable in five separate loan tranches, each with its own interest rate and maturity date. As of June 30, 2022, five tranches remain and are due at various dates from June 2023 to October 2026. The first tranche is due June 30, 2023 and bears interest at a variable rate, which was 2.4% at June 30, 2022. The remaining four tranches bear interest at fixed rates between 2.81% and 2.85%. Interest on outstanding balances is due monthly. Balances outstanding on the portfolio loan totaled \$1,305,323 and \$1,350,000 as of June 30, 2022 and 2021, respectively. The loan is collateralized by the Foundation's investments.

Future minimum principal payments on the portfolio loan payable expected to be paid for each of the next five years and in the aggregate are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2023 | \$ 305,323 |
| 2024 | 250,000 |
| 2025 | 250,000 |
| 2026 | 250,000 |
| 2027 | 250,000 |
| | <u>\$ 1,305,323</u> |

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note G - Paycheck Protection Program (PPP) Loans

In April 2020, the Foundation entered into a loan (PPP Loan) with Liberty Bank in the amount of \$47,600 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP Loan was to be used for payroll costs, health care benefits and insurance premiums, rent and utilities, and interest payments on debt obligations that were entered into before February 15, 2020. Loan recipients were eligible to apply for and be granted forgiveness for all or a portion of the loan with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for the costs described above.

On March 31, 2021, the Foundation received full forgiveness of the PPP loan in the amount of \$47,600 and recorded the forgiveness as an unrestricted contribution in the Consolidated Statement of Activities.

In March 2021, the Foundation entered into a second loan (PPP Loan) with Liberty Bank in the amount of \$33,778.

The second round of PPP lending, part of an overall COVID-19 economic stimulus package passed at the end of December 2020, provides additional funds to businesses that were financially impacted by the pandemic. Eligible companies include companies that previously received a PPP loan during the first round of lending, as well as those applying for the first time. To qualify for the second round of PPP loans, businesses must demonstrate a 25% reduction in revenue in at least one quarter of 2020 compared to 2019. The terms are similar to the first round of lending allowing borrowers to qualify for full forgiveness if the funds are spent on payroll and other allowed expenses.

As of June 30, 2021, management believed they had met the requirements of the second PPP loan to be forgiven, and elected to record the second PPP loan as a conditional contribution in the Consolidated Statement of Activities under guidance provided by ASC 958-605. On June 10, 2022, the Foundation received notification of full forgiveness of the second PPP loan in the amount of \$34,210, which included \$433 of accrued interest.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note H - Net Assets With Donor Restrictions

Donor restricted net assets as of June 30, 2022 and 2021 consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|------------------|
| Subject to expenditure for specified purpose: | | |
| CT veteran patient assistance | \$ 2,854 | \$ 6,074 |
| Regional cancer patient assistance | 2,900 | 2,900 |
| Cancer research | 102,693 | - |
| Subject to passage of time: | | |
| Time restricted donations | 11,667 | 10,000 |
| Pledges receivable balance over one year | 96,154 | 24,038 |
| | \$ <u>216,268</u> | \$ <u>43,012</u> |

Releases from donor restricted net assets consisted of the following during the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Subject to expenditure for specified purpose: | | |
| CT veteran patient assistance | \$ 3,220 | \$ 8,991 |
| Regional cancer patient assistance | - | 2,100 |
| Cancer research | 155,000 | 109,281 |
| Subject to passage of time: | | |
| Time restricted donations | 15,833 | 17,000 |
| Decrease in pledges receivable balance over one year | - | 143,307 |
| | \$ <u>174,053</u> | \$ <u>280,679</u> |

Note I - Commitments

Matching grant agreements

The Foundation has agreements with not-for-profit hospitals which obligates the Foundation to contribute funds to the hospital in order to establish a fund which will provide financial assistance to certain of the hospital's cancer patients, as determined by the hospital. The Foundation will pay the hospital upon the satisfaction of certain conditions by the hospital. Accordingly, amounts due under the terms of the matching grant agreements are considered to be conditional pledges payable which, under GAAP, are not recognized in the consolidated statement of financial position until the conditions are substantially met by the recipient organization.

The Foundation made grant payments related to the matching grant agreements totaling \$316,000 and \$336,000 during the years ended June 30, 2022 and 2021, respectively, which are included in cancer recipient payments on the consolidated statements of functional expenses.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note I - Commitments (continued)

Unrecorded conditional pledges payable by the Foundation under the terms of the matching grant agreements, as of June 30, 2022, are as follows:

| | Lawrence & Memorial Hospital | Harold Leever Cancer Ctr. | Hartford Hospital | Total |
|------------------------|---|--|------------------------------|-------------------|
| <u>June 30,</u> | | | | |
| 2023 | \$ 200,000 | \$ 16,000 | \$ 60,000 | \$ 276,000 |
| 2024 | 200,000 | - | 60,000 | 260,000 |
| | <u>\$ 400,000</u> | <u>\$ 16,000</u> | <u>\$ 120,000</u> | <u>\$ 536,000</u> |

Note J - Liquidity

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 635,948 | \$ 361,597 |
| Pledges receivable, current portion | 143,000 | 180,000 |
| Investments | 7,719,209 | 8,581,362 |
| Less: portfolio loan payable, current portion | (305,323) | (350,000) |
| Less: donor imposed restrictions | (108,447) | (8,974) |
| | <u>\$ 8,084,387</u> | <u>\$ 8,763,985</u> |

The Foundation's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note K - Special Events

Special events generate revenue for the Foundation as well as raise awareness about the Foundation's mission. Some events are integral and ongoing and some events are incidental to the Foundation's central activities and do not happen regularly. Incidental events are recorded net of expenses in the accompanying consolidated statements of activities. The Foundation's annual dinner is considered to be an integral and ongoing source of revenue.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note K - Special Events (continued)

Revenue and expenses incurred from the Foundation's annual dinner event held during the year ended June 30, 2022 were as follows:

Changes in net assets without donor restrictions:

Revenues:

| | | | |
|--|------------|----|----------------|
| Contributions of cash and other financial assets | | \$ | 75,248 |
| Contributions of nonfinancial assets | | | 69,836 |
| Ticket sales and auction revenue | \$ 353,154 | | |
| Less: costs of direct benefits to donors | (99,572) | | |
| Net revenue from special events | | | <u>253,582</u> |
| Total net revenues | | | <u>398,666</u> |

Expenses:

| | | | |
|-------------|--|---|----------------|
| Fundraising | | (| <u>33,734)</u> |
|-------------|--|---|----------------|

| | | | |
|--|--|-----------|-----------------------|
| Increase in net assets without donor restrictions | | \$ | <u>364,932</u> |
|--|--|-----------|-----------------------|

Revenue and expenses incurred from the Foundation's annual dinner event held during the year ended June 30, 2021 were as follows:

Changes in net assets without donor restrictions:

Revenues:

| | | | |
|--|------------|----|----------------|
| Contributions of cash and other financial assets | | \$ | 12,122 |
| Ticket sales and auction revenue | \$ 243,843 | | |
| Less: costs of direct benefits to donors | (12,706) | | |
| Net revenue from special events | | | <u>231,137</u> |
| Total net revenues | | | <u>243,259</u> |

Expenses:

| | | | |
|-------------|--|---|----------------|
| Fundraising | | (| <u>32,084)</u> |
|-------------|--|---|----------------|

| | | | |
|--|--|-----------|-----------------------|
| Increase in net assets without donor restrictions | | \$ | <u>211,175</u> |
|--|--|-----------|-----------------------|

Note L - Related Party Transactions

There is a related party relationship between the Executive Director and a board member; the board member recuses himself from voting on matters related to the Executive Director.

CONNECTICUT CANCER FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note M - Supplemental Disclosure of Cash Flow Information

| | <u>2022</u> | | <u>2021</u> |
|---------------------------------------|-------------|----|-------------|
| Cash paid during the year for: | | | |
| Interest | \$ 34,880 | \$ | 43,507 |

Note N - Subsequent Events

The Foundation and Subsidiary have evaluated subsequent events through October 11, 2022, which is the date the consolidated financial statements were available to be issued.