

**TOWER CANCER RESEARCH FOUNDATION, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tower Cancer Research Foundation, Inc. and Subsidiary
Beverly Hills, California

We have audited the accompanying consolidated financial statements of Tower Cancer Research Foundation, Inc. (a nonprofit organization) and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tower Cancer Research Foundation, Inc. and Subsidiary as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The December 31, 2019 summarized comparative information has been derived from Tower Cancer Research Foundation, Inc. and Subsidiary's consolidated financial statements and in our report dated June 24, 2020, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Los Angeles, California
June 23, 2021

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 334,743	\$ 485,749
Contributions Receivable	348,100	526,697
Investments, at Fair Value	2,420,544	1,704,487
Deposits	90,206	79,010
Total Current Assets	3,193,593	2,795,943
NONCURRENT ASSETS		
Contribution Receivables - Long-Term Portion	277,500	520,000
FIXED ASSETS, Net	481,300	624,095
Total Assets	\$ 3,952,393	\$ 3,940,038
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,019	\$ 140,460
Paycheck Protection Plan Loan	147,800	-
Accrued Expenses	98,715	31,395
Pledges Payable - Current Portion	460,000	620,000
Deferred Revenue	300	10,000
Total Current Liabilities	740,834	801,855
NONCURRENT LIABILITIES		
Pledges Payable - Long-Term Portion	600,000	610,000
Total Liabilities	1,340,834	1,411,855
NET ASSETS		
Without Donor Restrictions:		
Undesignated	200,191	(488,483)
Invested in Fixed Assets	481,300	624,095
Total Without Donor Restrictions	681,491	135,612
With Donor Restrictions:		
Purpose Restrictions	1,930,068	2,392,571
Total With Donor Restrictions	1,930,068	2,392,571
Total Net Assets	2,611,559	2,528,183
Total Liabilities and Net Assets	\$ 3,952,393	\$ 3,940,038

See accompanying Notes to Consolidated Financial Statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUE AND PUBLIC SUPPORT				
Public Support				
Special Events	\$ 1,622,824	\$ -	\$ 1,622,824	\$ 2,355,730
Contributions	787,440	360,590	1,148,030	1,960,822
Interest and Dividend Income	44,531	-	44,531	44,603
Investment Gain (Loss)	275,156	-	275,156	264,586
Net Assets Released from Restrictions:				
Satisfaction of Purpose	823,093	(823,093)	-	-
Total Revenue and Public Support	<u>3,553,044</u>	<u>(462,503)</u>	<u>3,090,541</u>	<u>4,625,741</u>
EXPENSES				
Program Services	2,091,658	-	2,091,658	1,752,236
General and Administrative	291,154	-	291,154	357,966
Fundraising	624,353	-	624,353	1,110,064
Total Expenses	<u>3,007,165</u>	<u>-</u>	<u>3,007,165</u>	<u>3,220,266</u>
CHANGE IN NET ASSETS	545,879	(462,503)	83,376	1,405,475
Net Assets - Beginning of Year	<u>135,612</u>	<u>2,392,571</u>	<u>2,528,183</u>	<u>1,122,708</u>
NET ASSETS - END OF YEAR	<u>\$ 681,491</u>	<u>\$ 1,930,068</u>	<u>\$ 2,611,559</u>	<u>\$ 2,528,183</u>

See accompanying Notes to Consolidated Financial Statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	Program Services	Supporting Services		2020	2019
		General and Administrative	Fundraising		
Salaries	\$ 385,573	\$ 141,473	\$ 269,925	\$ 796,971	\$ 744,449
Payroll Taxes	29,561	11,085	20,939	61,585	55,630
Employee Benefits	44,822	16,808	31,749	93,379	86,888
Total Salary Related Expenses	459,956	169,366	322,613	951,935	886,967
Grants	830,233	-	-	830,233	569,670
Occupancy	358,476	47,797	71,695	477,968	522,906
Outreach Programs	145,912	-	-	145,912	112,637
Special Events Expense	-	-	143,364	143,364	621,775
Marketing and Public Relations	74,249	7,034	16,561	97,844	102,900
Professional Fees	17,237	37,514	4,252	59,003	47,043
Information Technology	41,386	5,518	8,277	55,181	54,955
Insurance	28,711	3,406	3,406	35,523	33,691
Office Expenses	14,766	1,730	2,485	18,981	21,861
Banking and Investment Fees	-	214	14,942	15,156	25,481
Fundraising Expenses	-	-	8,098	8,098	28,043
Office Equipment	3,743	1,871	1,871	7,485	9,738
Miscellaneous Expense	2,840	981	1,559	5,380	6,738
Printing and Postage	3,220	495	1,238	4,953	6,085
Meetings	1,192	596	2,045	3,833	26,145
Outside Services	-	-	-	-	194
Total Expenses Before Depreciation	1,981,921	276,522	602,406	2,860,849	3,076,829
Depreciation	109,737	14,632	21,947	146,316	143,437
Total Expenses 2020	<u>2,091,658</u>	<u>291,154</u>	<u>624,353</u>	<u>\$ 3,007,165</u>	
Total Expenses 2019	<u>\$ 1,752,236</u>	<u>\$ 357,966</u>	<u>\$ 1,110,064</u>		<u>\$ 3,220,266</u>

See accompanying Notes to Consolidated Financial Statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 83,376	\$ 1,405,475
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	146,316	143,437
Investment (Gain) Loss	(275,156)	(264,586)
(Increase) Decrease in Assets:		
Contributions Receivable	421,097	(379,244)
Deposits	(11,196)	(552)
Increase (Decrease) in Liabilities:		
Accounts Payable	(106,441)	35,662
Accrued Expenses	67,320	4,699
Pledges Payable	(170,000)	(823,000)
Deferred Revenue	(9,700)	-
Net Cash Provided by Operating Activities	145,616	121,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	479,699	938,005
Purchase of Investments	(920,600)	(901,244)
Purchase of Property and Equipment	(3,521)	(25,060)
Net Cash Provided (Used) by Investing Activities	(444,422)	11,701
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	147,800	-
Net Cash Provided (Used) by Financing Activities	147,800	-
NET INCREASE (DECREASE) IN CASH	(151,006)	133,592
Cash and Cash Equivalents - Beginning of Year	485,749	352,157
CASH AND CASH EQUIVALENTS - END OF YEAR	334,743	485,749
SUPPLEMENTAL CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 ORGANIZATION

Tower Cancer Research Foundation, Inc. and Subsidiary (collectively, the Foundation) is a nonprofit corporation organized under the laws of the state of California.

The Foundation provides grants for clinical trials, innovative research, caring patient support and community education, primarily in Southern California to promote more effective treatments for cancer and blood disorders. TCRF Holdings LLC is the wholly owned subsidiary of Tower Cancer Research Foundation, Inc. formed exclusively to accept gifts of real property.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary. The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation-

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These standards require that the Foundation report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Advertising

Advertising costs are charged to operations when incurred and are included in the consolidated functional expenses.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Contributions

In accordance with U.S. GAAP, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor limitations on the use of the support. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There are no conditional promises to give at December 31, 2020.

Donated Services and Assets

The Foundation recognizes as support only those donated services which create or enhance nonfinancial assets or which require specialized skills which the Foundation would otherwise have paid for. Donated assets are recognized as contributions at their fair values at the date of donation. During the year ended December 31, 2020, a condominium was donated to the Foundation. The condominium was immediately sold and the proceeds were used for the Foundation's programs.

Property and Equipment

Property and equipment are recorded at historical cost and are being depreciated using the straight-line method over the estimated useful life of the assets. The following lives have been assigned:

Computers and equipment	3 to 7 years
Furniture and fixtures	5 years
Leasehold improvements	10 years

Expenditures for maintenance, repairs, and renewals of minor items are charged to expense as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Comparative Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

The Foundation files Internal Revenue Service Form 990 and State Forms 199 and RRF-1. U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Foundation does not believe the consolidated financial statements include any uncertain tax positions.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statement of activities, and in the consolidated statement of functional expenses. Accordingly, certain costs, such as occupancy, have been allocated between programs and supporting services by square footage of usage. Salaries and benefits have been allocated based upon time and effort.

Subsequent Events

Management has evaluated subsequent events through June 23, 2021, the date the consolidated financial statements were available to be issued.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 LIQUIDITY AND AVAILABILITY

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

Cash and Cash Equivalents	\$ 334,743
Investments	1,116,076
Total	<u>\$ 1,450,819</u>

As part of the Foundation's liquidity management plan, the Organization invest cash in excess of daily requirements is invested in short-term investments, and money market funds.

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

Promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are deemed to be fully collectible. Accordingly, no allowance was established.

Receivable in Less Than One Year	\$ 348,100
Receivable in One Year to Five Years	277,500
Total Grants and Pledges Receivable	<u>\$ 625,600</u>

The Foundation has not recorded a discount on grants and pledges to be received beyond one year. The discount was not material to the financial statements.

NOTE 5 FIXED ASSETS

Fixed assets consist of the following:

Leasehold Improvements	\$ 883,113
Furniture and Fixtures	251,022
Computer Equipment	117,681
Total	<u>1,251,816</u>
Less: Accumulated depreciation	<u>(770,516)</u>
Total Fixed Assets, Net	<u>\$ 481,300</u>

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of December 31, 2020 are as follows:

Common Stock	\$ 1,455,545
Corporate Bonds	359,252
Municipal Bonds	314,218
Exchange-Traded Funds (ETFs)	291,493
Mutual Funds	36
Total Investments	<u><u>\$ 2,420,544</u></u>

U.S. GAAP establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 1,455,545	\$ 1,455,545	\$ -	\$ -
Corporate Bonds	359,252	359,252	-	-
ETFs	291,493	291,493	-	-
Municipal Bonds	314,218	314,218	-	-
Mutual Funds	36	36	-	-
Total	<u><u>\$ 2,420,544</u></u>	<u><u>\$ 2,420,544</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. There were no transfers among the investment designated levels during the year.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Precision Clinical Trials	\$ 426,115
Career Development	500,000
Classes	460,483
Lippin Fund	110,000
Black Family Fund	137,261
Exercise Program	71,556
Patient Support	55,775
Breast Cancer Research	72,833
Various Programs	57,143
Gaucher Disease	33,133
Magnolia House	5,769
Total	<u>\$ 1,930,068</u>

NOTE 8 PPP LOAN

The Foundation received a loan in the amount of \$147,800 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 1, 2020 to September 16, 2020, is the time that a business has to spend their PPP Loan funds. PPP loan payments will be required starting August 2021 but the Foundation expects the loan to be fully forgiven prior to that date. The maturity date of the loan is May 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Foundation rents their office space under a 10-year lease agreement effective October 1, 2015. Rent expense paid under the agreement for the year ended December 31, 2020 was \$393,951. The lease expires on September 30, 2025.

The future minimum annual rental payments are as follows for years ending December 31:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 401,482
2022	413,526
2023	425,932
2024	438,710
Thereafter	336,380
Total	<u>\$ 2,016,030</u>

The Foundation has entered into various pledge agreements to provide funds for cancer research. Payments are due as follows for years ended December 31:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 460,000
2022	200,000
2023	200,000
2024	200,000
Total	<u>\$ 1,060,000</u>

NOTE 10 CASH IN BANK - CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalents at a bank which may, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that the solvency of the relevant financial institution is not of particular concern.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

