

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019



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TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

To the 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, 2019, 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.

To the Board of Directors
Tower Cancer Research Foundation, Inc. and Subsidiary

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, 2019, 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, 2018 summarized comparative information has been derived from Tower Cancer Research Foundation, Inc. and Subsidiary's financial statements and in our report dated July 9, 2019, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP
Los Angeles, California
June 24, 2020

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 485,749	\$ 352,157
Contributions receivable	526,697	362,453
Investments, at fair value	1,704,487	1,476,662
Deposits	79,010	78,458
TOTAL CURRENT ASSETS	2,795,943	2,269,730
Non-Current Assets		
Contribution Receivables - long term portion	520,000	305,000
Fixed assets, net	624,095	742,472
TOTAL ASSETS	\$ 3,940,038	\$ 3,317,202
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 140,460	\$ 104,798
Accrued expenses	31,395	26,696
Pledges payable - current portion	620,000	853,000
Deferred revenue	10,000	10,000
TOTAL CURRENT LIABILITIES	801,855	994,494
Non-Current Liabilities		
Pledges payable - long term portion	610,000	1,200,000
TOTAL LIABILITIES	1,411,855	2,194,494
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(488,483)	(1,074,481)
Invested in Fixed Assets	624,095	742,472
Total Without Donor Restrictions	135,612	(332,009)
With Donor Restrictions:		
Purpose Restrictions	2,392,571	1,454,717
Total With Donor Restrictions	2,392,571	1,454,717
Total Net Assets	2,528,183	1,122,708
TOTAL LIABILITIES AND NET ASSETS	\$ 3,940,038	\$ 3,317,202

See accompanying independent auditors' report.
The notes are an integral part of these consolidated financial statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
REVENUE AND PUBLIC SUPPORT				
Public support				
Special events (net of expenses of \$621,775)	\$ 1,733,955	\$ -	\$ 1,733,955	\$ 1,741,541
Contributions	218,876	1,741,946	1,960,822	1,729,788
Interest and dividend income	44,603	-	44,603	26,754
Research studies	-	-	-	59
Investment gain (loss)	264,586	-	264,586	(92,420)
Net assets released from restrictions:				
Satisfaction of purpose	<u>804,092</u>	<u>(804,092)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND PUBLIC SUPPORT	 <u>3,066,112</u>	 <u>937,854</u>	 <u>4,003,966</u>	 <u>3,405,722</u>
EXPENSES				
Program services	1,752,236	-	1,752,236	2,665,238
General and administrative	357,966	-	357,966	438,391
Fundraising	<u>488,289</u>	<u>-</u>	<u>488,289</u>	<u>554,452</u>
 TOTAL EXPENSES	 <u>2,598,491</u>	 <u>-</u>	 <u>2,598,491</u>	 <u>3,658,081</u>
 CHANGE IN NET ASSETS	 467,621	 937,854	 1,405,475	 (252,359)
 NET ASSETS AT BEGINNING OF YEAR	 <u>(332,009)</u>	 <u>1,454,717</u>	 <u>1,122,708</u>	 <u>1,375,067</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 135,612</u>	 <u>\$ 2,392,571</u>	 <u>\$ 2,528,183</u>	 <u>\$ 1,122,708</u>

See accompanying independent auditors' report.
The notes are an integral part of these consolidated financial statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		2019	2018
		General and Administrative	Fundraising		
Salaries	\$ 349,891	\$ 134,001	\$ 260,557	\$ 744,449	\$ 710,640
Payroll taxes	26,146	10,013	19,471	55,630	53,819
Employee benefits	40,837	15,640	30,411	86,888	96,241
Total salary related expenses	<u>416,874</u>	<u>159,654</u>	<u>310,439</u>	<u>886,967</u>	<u>860,700</u>
Grants	569,670			569,670	1,631,400
Occupancy	392,179	78,436	52,291	522,906	519,280
Outreach programs	112,637	-	-	112,637	156,174
Marketing and public relations	75,989	7,796	19,115	102,900	60,564
Information technology	41,217	5,495	8,243	54,955	55,251
Professional fees	3,548	40,854	2,641	47,043	33,558
Insurance	28,089	2,801	2,801	33,691	49,405
Fundraising expenses	-	-	28,043	28,043	23,934
Meetings	7,855	3,928	14,362	26,145	26,429
Banking and investment fees	-	11,096	14,385	25,481	10,769
Office expenses	16,269	2,266	3,326	21,861	27,390
Office equipment	4,868	2,435	2,435	9,738	9,799
Miscellaneous expense	-	6,738	-	6,738	12,320
Printing and postage	3,956	608	1,521	6,085	6,282
Outside services	194		-	194	2,901
Expenses before depreciation	<u>1,673,345</u>	<u>322,107</u>	<u>459,602</u>	<u>2,455,054</u>	<u>3,486,156</u>
Depreciation	<u>78,891</u>	<u>35,859</u>	<u>28,687</u>	<u>143,437</u>	<u>171,925</u>
Total expenses 2019	<u>\$ 1,752,236</u>	<u>\$ 357,966</u>	<u>\$ 488,289</u>	<u>\$ 2,598,491</u>	
Total expenses 2018	<u>\$ 2,665,238</u>	<u>\$ 438,391</u>	<u>\$ 554,452</u>		<u>\$ 3,658,081</u>

See accompanying independent auditors' report.
The notes are an integral part of these consolidated financial statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,405,475	\$ (252,359)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	143,437	171,925
Investment (gain) loss	(264,586)	92,420
(Increase) decrease in assets:		
Contributions receivable	(379,244)	(454,019)
Deposits	(552)	(4,005)
Increase (decrease) in liabilities:		
Accounts payable	35,662	47,396
Accrued expenses	4,699	(1,357)
Pledges payable	(823,000)	353,000
Deferred revenue	-	4,888
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>121,891</u>	<u>(42,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	938,005	1,162,221
Purchase of investments	(901,244)	(1,171,192)
Purchase of property and equipment	(25,060)	(8,549)
NET CASH USED IN INVESTING ACTIVITIES	<u>11,701</u>	<u>(17,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	133,592	(59,631)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>352,157</u>	<u>411,788</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 485,749</u>	<u>\$ 352,157</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR:		
Interest	\$ <u>-</u>	\$ <u>-</u>
Taxes	\$ <u>-</u>	\$ <u>4,787</u>

See accompanying independent auditors' report.
The notes are an integral part of these consolidated financial statements.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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. 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.

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.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions-

In accordance with accounting principles generally accepted in the United States of America, 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, 2019.

Donated Services and Assets-

The Foundation recognizes as support only those donated services which create or enhance non-financial 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, 2019, 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 - 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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 IRS Form 990 and State Forms 199 and RRF-1. Accounting principles generally accepted in the United States of America provide 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 accounting principles generally accepted in the United States of America 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.

Adoption of New Accounting Standard-

In 2019, the Foundation early adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, Revenues from Contracts with Customers, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Foundation's financial position and results of operations upon adoption of the new standard using the modified retrospective approach.

Additionally, the Foundation adopted Financial Accounting Standards Board's Accounting Standard (ASU) 2018-08, Accounting Guidance for Contributions Received and Made. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Subsequent Events-

Management has evaluated subsequent events through June 24, 2020, the date the consolidated financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID19 may impact various parts of its 2020 operations and financial results, including grants. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

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	\$	485,749
Contributions receivable		<u>358,613</u>
Total	\$	<u><u>844,362</u></u>

As part of the Foundation's liquidity management plan, 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	\$	526,697
Receivable in one year to five years		<u>520,000</u>
Total grants and pledges receivable	\$	<u><u>1,046,697</u></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.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 FIXED ASSETS

Fixed assets consists of the following:

Leasehold Improvements	\$	873,827
Furniture and fixtures		247,501
Computer equipment		117,681
Construction in Progress		9,286
		1,248,295
 Less: Accumulated depreciation		 (624,200)
 Total fixed assets, net	 \$	 <u><u>624,095</u></u>

Note 6 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of December 31, 2019 are as follows:

Common stock	\$	903,033
Corporate bonds		668,030
Exchange-traded funds (ETFs)		133,388
Mutual Funds		36
		36
 Total investments	 \$	 <u><u>1,704,487</u></u>

Generally accepted accounting principles 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.

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 6 INVESTMENTS AND FAIR VALUE MEASUREMENT (CONT.)

	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	\$ 903,033	\$ 903,033	\$ -	\$ -
Corporate bonds	668,030	668,030	-	-
ETFs	133,388	133,388	-	-
Municipal bonds	36	36	-	-
	<u>\$ 1,704,487</u>	<u>\$ 1,704,487</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.

Note 7 NET ASSETS WITH DONOR RESTRICTIONS

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

Precision Clinical Trials	\$ 620,795
Career Development	500,000
Classes	500,000
Lippin Fund	230,000
Breast Cancer Research	225,021
Exercise Program	106,355
Meryl Kern Survivorship	71,873
Black Family Fund	59,561
Various Programs	38,525
Gaucher Disease	33,133
Magnolia House	7,308
Total	<u>\$ 2,392,571</u>

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 8 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, 2019 was \$381,925. The lease expires on September 30, 2025.

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

2020	\$	389,788
2021		401,482
2022		413,526
2023		425,932
2024		438,710
Thereafter		336,380
	\$	2,405,818

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

2020	\$	620,000
2021		310,000
2022		100,000
2023		100,000
2024		100,000
	\$	1,230,000

Note 9 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.

