

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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022



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**TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Tower Cancer Research Foundation, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, 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.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Tower Cancer Research 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022 the Foundation adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 Tower Cancer Research 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Tower Cancer Research 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 Tower Cancer Research 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.

Report on Summarized Comparative Information

The December 31, 2021 summarized comparative information has been derived from Tower Cancer Research Foundation, Inc. and Subsidiary's consolidated financial statements and in our report dated June 28, 2022, 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, 2021, 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
May 15, 2023

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 529,067	\$ 582,065
Contributions Receivable	131,750	221,450
Investments, at Fair Value	2,301,569	2,488,490
Deposits	63,500	64,857
Total Current Assets	3,025,886	3,356,862
NONCURRENT ASSETS		
Contribution Receivables - Long-Term Portion	140,000	125,000
Operating Right of Use Asset	1,152,194	-
Financing Right of Use Asset	6,254	-
Fixed Assets, Net	297,295	387,563
Total Assets	\$ 4,621,629	\$ 3,869,425
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 33,135	\$ 26,666
Current Lease Liability - Operating	415,598	-
Current Lease Liability - Financing	5,899	-
Accrued Expenses	74,326	90,744
Pledges Payable - Current Portion	535,000	260,000
Total Current Liabilities	1,063,958	377,410
NONCURRENT LIABILITIES		
Long-Term Lease Liability - Operating	736,596	-
Long-Term Lease Liability - Financing	494	-
Pledges Payable - Long-Term Portion	1,140,000	1,040,000
Total Long-Term Liabilities	1,877,090	1,040,000
Total Liabilities	2,941,048	1,417,410
NET ASSETS		
Without Donor Restrictions:		
Undesignated	314,393	497,780
Invested in Fixed Assets	297,295	387,563
Total Without Donor Restrictions	611,688	885,343
With Donor Restrictions:		
Purpose Restrictions	1,068,893	1,566,672
Total With Donor Restrictions	1,068,893	1,566,672
Total Net Assets	1,680,581	2,452,015
Total Liabilities and Net Assets	\$ 4,621,629	\$ 3,869,425

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
REVENUE AND PUBLIC SUPPORT				
Public Support				
Special Events	\$ 1,959,655	\$ -	\$ 1,959,655	\$ 1,831,566
Contributions	786,940	432,845	1,219,785	1,494,589
Interest and Dividend Income	56,004	-	56,004	56,626
Investment Gain (Loss)	(476,418)	-	(476,418)	322,120
Employer Retention Credit	210,601	-	210,601	-
Net Assets Released from Restrictions:				
Satisfaction of Purpose	930,624	(930,624)	-	-
Total Revenue and Public Support	<u>3,467,406</u>	<u>(497,779)</u>	<u>2,969,627</u>	<u>3,704,901</u>
EXPENSES				
Program Services	2,237,998	-	2,237,998	2,642,668
General and Administrative	309,445	-	309,445	302,130
Fundraising	1,193,618	-	1,193,618	919,647
Total Expenses	<u>3,741,061</u>	<u>-</u>	<u>3,741,061</u>	<u>3,864,445</u>
CHANGE IN NET ASSETS	(273,655)	(497,779)	(771,434)	(159,544)
Net Assets - Beginning of Year	<u>885,343</u>	<u>1,566,672</u>	<u>2,452,015</u>	<u>2,611,559</u>
NET ASSETS - END OF YEAR	<u>\$ 611,688</u>	<u>\$ 1,068,893</u>	<u>\$ 1,680,581</u>	<u>\$ 2,452,015</u>

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)

	Program Services	Supporting Services		2022	2021
		General and Administrative	Fundraising		
Salaries	\$ 429,394	\$ 156,143	\$ 390,358	\$ 975,895	\$ 902,569
Payroll Taxes	33,077	12,028	30,069	75,174	71,263
Employee Benefits	51,664	18,787	46,968	117,419	111,933
Total Salary Related Expenses	<u>514,135</u>	<u>186,958</u>	<u>467,395</u>	<u>1,168,488</u>	<u>1,085,765</u>
Grants	902,500	-	-	902,500	1,263,968
Special Events Expense	-	-	580,320	580,320	383,783
Occupancy	400,098	53,346	80,019	533,463	490,794
Outreach Programs	218,975	247	494	219,716	195,237
Information Technology	47,453	6,327	9,491	63,271	61,372
Professional Fees	6,299	40,752	5,010	52,061	50,750
Marketing and Public Relations	24,127	3,723	9,375	37,225	122,965
Insurance	24,675	1,487	1,487	27,649	31,963
Office Expenses	8,379	1,202	1,671	11,252	15,191
Printing and Postage	6,447	992	2,480	9,919	3,288
Banking and Investment Fees	-	67	9,908	9,975	15,257
Miscellaneous Expense	4,296	1,531	3,809	9,636	5,228
Office Equipment	4,713	2,428	2,356	9,497	6,667
Fundraising Expenses	-	-	2,253	2,253	21,970
Meetings	724	361	2,515	3,600	2,723
Total Expenses Before Depreciation	<u>2,162,821</u>	<u>299,421</u>	<u>1,178,583</u>	<u>3,640,825</u>	<u>3,756,921</u>
Depreciation	<u>75,177</u>	<u>10,024</u>	<u>15,035</u>	<u>100,236</u>	<u>107,524</u>
Total Expenses 2022	<u>\$ 2,237,998</u>	<u>\$ 309,445</u>	<u>\$ 1,193,618</u>	<u>\$ 3,741,061</u>	
Total Expenses 2021	<u>\$ 2,642,668</u>	<u>\$ 302,130</u>	<u>\$ 919,647</u>		<u>\$ 3,864,445</u>

TOWER CANCER RESEARCH FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (771,434)	\$ (159,544)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	100,236	107,524
Lease Transition Adjustment	139	-
Forgiveness of Paycheck Protection Program Loan	-	(147,800)
Investment (Gain) Loss	476,418	(322,120)
(Increase) Decrease in Assets:		
Contributions Receivable	74,700	279,150
Deposits	1,357	25,349
Increase (Decrease) in Liabilities:		
Accounts Payable	6,469	(7,353)
Accrued Expenses	(16,418)	(7,971)
Pledges Payable	375,000	240,000
Deferred Revenue	-	(300)
Net Cash Provided by Operating Activities	246,467	6,935
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,353,001	856,493
Purchase of Investments	(1,642,498)	(602,319)
Purchase of Property and Equipment	(9,968)	(13,787)
Net Cash Provided (Used) by Investing Activities	(299,465)	240,387
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(52,998)	247,322
Cash and Cash Equivalents - Beginning of Year	582,065	334,743
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 529,067	\$ 582,065
SUPPLEMENTAL CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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, 2022.

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.

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:

Computer 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, 2022

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, 2021, 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 statements of activities, and in the consolidated statements 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 Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The Foundation adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

Leases

The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Subsequent Events

Management has evaluated subsequent events through May 15, 2023, the date the consolidated financial statements were available to be issued.

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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	\$ 529,067
Contributions Receivable	131,750
Investments, at Fair Value	2,301,569
Contribution Receivables - Long-Term Portion	140,000
Less: Net Assets with Donor Restrictions	<u>(1,068,893)</u>
Total	<u><u>\$ 2,033,493</u></u>

As part of the Foundation's liquidity management plan, the Foundation invests 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	\$ 131,750
Receivable in One Year to Five Years	140,000
Total Grants and Pledges Receivable	<u><u>\$ 271,750</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.

NOTE 5 FIXED ASSETS

Fixed assets consist of the following:

Leasehold Improvements	\$ 883,113
Furniture and Fixtures	257,847
Computer Equipment	134,612
Total	<u>1,275,572</u>
Less: Accumulated depreciation	<u>(978,277)</u>
Total Fixed Assets, Net	<u><u>\$ 297,295</u></u>

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of December 31, 2022 are as follows:

Common Stock	\$ 1,179,398
Corporate Bonds	677,957
US Treasury Bonds	294,583
Municipal Bonds	103,945
Exchange-Traded Funds (ETFs)	45,650
Mutual Funds	36
Total Investments	<u><u>\$ 2,301,569</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	\$ 1,179,398	\$ 1,179,398	\$ -	\$ -
Corporate Bonds	677,957	677,957	-	-
US Treasury Bonds	294,583	294,583	-	-
ETFs	103,945	103,945	-	-
Municipal Bonds	45,650	45,650	-	-
Mutual Funds	36	36	-	-
Total	<u><u>\$ 2,301,569</u></u>	<u><u>\$ 2,301,569</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, 2022

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

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

Precision Clinical Trials	\$ 320,836
Classes	279,448
Lippin Fund	175,000
Magnolia House	113,663
Breast Cancer Research	58,425
Various Programs	48,145
Gaucher Disease	48,142
Patient Support	25,234
Total	<u><u>\$ 1,068,893</u></u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

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>
2023	\$ 535,000
2024	540,000
2025	400,000
2026	200,000
Total	<u><u>\$ 1,675,000</u></u>

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 LEASES

The Foundation leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Foundation to pay real estate taxes, insurance, and common area maintenance.

The following tables provide quantitative information concerning the Foundation's leases for the year ended December 31, 2022:

Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 5,753
Interest on Lease Liabilities	6
Operating Lease Cost	425,235
Variable Lease Cost	5,286
Total Lease Cost	<u>\$ 436,341</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Finance Leases	\$ 67
Operating Cash Flows from Operating Leases	\$ 425,235
Financing Cash Flows from Finance Leases	\$ 5,614
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ 12,007
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,563,494
Weighted-Average Remaining Lease Term - Finance Leases	1.1 Years
Weighted-Average Remaining Lease Term - Operating Leases	2.7 Years
Weighted-Average Discount Rate - Finance Leases	0.78%
Weighted-Average Discount Rate - Operating Leases	1.04%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

Year Ended December 31,	Operating	Finance	Totals
2023	\$ 425,235	\$ 5,928	\$ 431,163
2024	425,235	494	425,729
Undiscounted Cash Flows	1,168,222	6,422	1,174,644
Less: Imputed Interest	(16,028)	(29)	(16,057)
Total Present Value	<u>\$ 1,152,194</u>	<u>\$ 6,393</u>	<u>\$ 1,158,587</u>
Short-Term Lease Liabilities	\$ (415,598)	\$ (5,899)	\$ (421,497)
Long-Term Lease Liabilities	(736,596)	(494)	(737,090)
Total	<u>\$ (1,152,194)</u>	<u>\$ (6,393)</u>	<u>\$ (1,158,587)</u>

TOWER CANCER RESEARCH FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

NOTE 11 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. On December 15, 2021, the Foundation received the Employee Retention Credit (ERC) funding in the amount of \$210,601 in compliance with the program.

Grants related to this program are classified as other income. The Foundation recognized \$210,601 related to performance requirements being met and costs being incurred in compliance with the program during the year ended December 31, 2022.



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