

# **THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018



# THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-16

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Mesothelioma Applied Research Foundation, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of The Mesothelioma Applied Research Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Mesothelioma Applied Research Foundation, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 2 to the financial statements, The Mesothelioma Applied Research Foundation, Inc. adopted provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to these matters.

*UHY LLP*

Columbia, Maryland  
August 7, 2020

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Checking and savings accounts	\$ 1,260,717	\$ 597,612
Cash equivalents held by investment manager	27,009	212,866
Total cash and cash equivalents	<u>1,287,726</u>	<u>810,478</u>
Contributions receivable	29,921	15,338
Prepaid expenses	<u>34,536</u>	<u>17,914</u>
 Total current assets	 <u>1,352,183</u>	 <u>843,730</u>
<b>NON-CURRENT ASSETS</b>		
Investments	1,443,183	1,091,451
Property and intangible assets - net	7,176	11,000
Security deposit	<u>4,077</u>	<u>4,077</u>
 Total non-current assets	 <u>1,454,436</u>	 <u>1,106,528</u>
 TOTAL ASSETS	 <u><u>\$ 2,806,619</u></u>	 <u><u>\$ 1,950,258</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 37,250	\$ 61,494
Deferred symposium revenue	7,514	-
Grants payable	<u>200,000</u>	<u>275,000</u>
 Total current liabilities	 <u>244,764</u>	 <u>336,494</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>2,561,855</u>	<u>1,613,764</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,806,619</u></u>	 <u><u>\$ 1,950,258</u></u>

See notes to financial statements.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Other Income (Losses)</b>						
Contributions	\$ 1,259,669	\$ 118,240	\$ 1,377,909	\$ 881,760	\$ 149,869	\$ 1,031,629
Symposium sponsorships and registration fees	622,850	-	622,850	153,380	-	153,380
Other income	2,144	-	2,144	264	-	264
Net investment income (loss)	163,918	-	163,918	(50,198)	-	(50,198)
Net assets released from restrictions	118,240	(118,240)	-	149,869	(149,869)	-
Total revenue, support, and other income (Losses)	2,166,821	-	2,166,821	1,135,075	-	1,135,075
<b>Expenses</b>						
Program services:						
Research	262,152	-	262,152	242,829	-	242,829
Education Support and Symposium	705,507	-	705,507	736,716	-	736,716
Advocacy	24,301	-	24,301	159,577	-	159,577
Total program services	991,960	-	991,960	1,139,122	-	1,139,122
Supporting services:						
Management and general	87,440	-	87,440	117,675	-	117,675
Fundraising	139,330	-	139,330	208,214	-	208,214
Total expenses	1,218,730	-	1,218,730	1,465,011	-	1,465,011
<b>Change in Net Assets</b>	948,091	-	948,091	(329,936)	-	(329,936)
<b>Net Assets, Beginning</b>	1,613,764	-	1,613,764	1,943,700	-	1,943,700
<b>Net Assets, Ending</b>	\$ 2,561,855	\$ -	\$ 2,561,855	\$ 1,613,764	\$ -	\$ 1,613,764

See notes to financial statements.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2019

	Program services			Total Program Services	Supporting services		Total
	Research	Education Support and Symposium	Advocacy		Management and General	Fundraising	
Personnel costs:							
Salaries	\$ 24,311	\$ 327,213	\$ 15,656	\$ 367,180	\$ 19,339	\$ 66,388	\$ 452,907
Employee benefits	4,709	63,425	3,033	71,167	2,959	12,864	86,990
Payroll taxes	1,842	24,826	1,188	27,856	2,215	5,041	35,112
Total personnel costs	30,862	415,464	19,877	466,203	24,513	84,293	575,009
Accounting	1,094	14,690	702	16,486	16,007	2,974	35,467
Advertising and marketing	409	8,452	267	9,128	261	1,138	10,527
Bank and credit card fees	8	102	4	114	13,633	2,084	15,831
Computer and internet	503	6,789	325	7,617	317	17,488	25,422
Conferences and seminars	-	-	-	-	1,587	-	1,587
Depreciation and amortization	-	-	-	-	2,964	-	2,964
Dues and subscriptions	303	4,086	466	4,855	793	3,916	9,564
Event rental and supplies	400	122,407	258	123,065	649	1,654	125,368
Gifts	-	-	-	-	79	-	79
Grants - symposium travel	-	2,790	-	2,790	-	-	2,790
Grants - patient travel	-	73,361	-	73,361	-	-	73,361
Grants - research	225,000	-	-	225,000	-	-	225,000
Insurance	398	5,363	256	6,017	250	1,087	7,354
Meals	11	458	21	490	325	122	937
Rent and storage	2,160	29,130	1,394	32,684	1,361	5,924	39,969
Office expenses and supplies	130	1,955	84	2,169	6,607	7,791	16,567
Payroll services	156	2,097	101	2,354	143	426	2,923
Postage	61	3,555	89	3,705	92	726	4,523
Printing	47	636	30	713	228	4,173	5,114
Professional fees	-	5,000	-	5,000	9,284	-	14,284
Repairs and maintenance	61	816	39	916	38	165	1,119
Telephone	353	5,079	232	5,664	5,517	1,010	12,191
Travel and entertainment	30	1,052	50	1,132	2,688	3,909	7,729
Utilities	73	979	47	1,099	46	198	1,343
Workers compensation	93	1,246	59	1,398	58	252	1,708
Total expenses	\$ 262,152	\$ 705,507	\$ 24,301	\$ 991,960	\$ 87,440	\$ 139,330	\$ 1,218,730

See notes to financial statements.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2018

	Program Services			Total Program Services	Supporting services		TOTAL
	Research	Education Support and Symposium	Advocacy		Management and General	Fundraising	
Personnel costs:							
Salaries	\$ 46,849	\$ 332,614	\$ 16,423	\$ 395,886	\$ 38,264	\$ 48,871	\$ 483,021
Employee benefits	10,602	78,398	3,571	92,571	6,888	10,713	110,172
Payroll taxes	4,169	28,818	1,391	34,378	2,833	4,126	41,337
Total personnel costs	61,620	439,830	21,385	522,835	47,985	63,710	634,530
Accounting	1,276	9,694	437	11,407	26,173	1,338	38,918
Advertising and marketing	112	2,301	44	2,457	355	603	3,415
Bank and credit card fees	208	659	26	893	4,910	1,141	6,944
Computer and internet	2,637	8,039	429	11,105	1,167	16,020	28,292
Conferences and seminars	36	123	915	1,074	19	464	1,557
Depreciation and amortization	-	-	-	-	2,965	-	2,965
Dues and subscriptions	5,582	3,677	7,818	17,077	2,236	5,387	24,700
Event rental and supplies	3,454	48,789	542	52,785	22	1,491	54,298
Grants - patient travel	-	54,412	-	54,412	-	-	54,412
Grants - research	150,000	-	-	150,000	-	-	150,000
Insurance	729	5,245	255	6,229	457	766	7,452
Legal fees	1,564	12,292	690	14,546	9,533	2,219	26,298
Legislative counsel	180	2,392	121,110	123,682	5,897	485	130,064
Meals	227	1,512	14	1,753	907	1,394	4,054
Rent and storage	6,645	45,268	2,232	54,145	4,101	6,263	64,509
Office expenses and supplies	850	6,292	297	7,439	938	3,462	11,839
Payroll services	332	2,238	114	2,684	209	327	3,220
Postage	158	6,661	30	6,849	301	1,218	8,368
Printing	98	2,890	31	3,019	51	5,905	8,975
Professional development	293	1,143	86	1,522	459	123	2,104
Professional fees	4,072	18,133	1,136	23,341	2,290	91,634	117,265
Property taxes	2	11	-	13	-	276	289
Repairs and maintenance	19	273	12	304	105	56	465
Telephone	1,382	9,431	463	11,276	1,273	1,311	13,860
Travel and entertainment	758	51,768	1,323	53,849	4,952	2,143	60,944
Utilities	20	293	13	326	13	60	399
Workers compensation	575	3,350	175	4,100	357	418	4,875
Total expenses	\$ 242,829	\$ 736,716	\$ 159,577	\$ 1,139,122	\$ 117,675	\$ 208,214	\$ 1,465,011

See notes to financial statements.



**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Contributions	\$ 1,358,328	\$ 1,160,292
Symposium sponsorships and registration fees	622,850	153,380
Interest and dividends	78,039	67,550
Other income	2,144	264
Cash paid for:		
Payments to and on behalf of employees	(570,934)	(617,808)
Payments for goods and services	(400,385)	(604,607)
Payments to grantees	(365,847)	(310,134)
	<u>724,195</u>	<u>(151,063)</u>
Net cash provided by (used for) operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(775,531)	(984,169)
Proceeds from sales of investments	528,584	1,389,614
	<u>(246,947)</u>	<u>405,445</u>
Net cash provided by (used for) investing activities		
<b>Net Increase in Cash and Cash Equivalents</b>	477,248	254,382
<b>Cash and Cash Equivalents, Beginning</b>	810,478	556,096
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 1,287,726</u>	<u>\$ 810,478</u>
<b>Noncash investing activity:</b>		
Donated stock	<u>\$ 4,998</u>	<u>\$ 9,617</u>
Disposal of property and equipment	<u>\$ 1,666</u>	<u>\$ -</u>

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of Change in Net Assets to Net Cash From Operating Activities</b>		
Change in net assets	\$ 948,091	\$ (329,936)
Reconciliation adjustments:		
Depreciation and amortization	2,964	2,965
Realized gains on investments	(3,523)	(20,972)
Unrealized (gains) losses on investments	(96,264)	123,414
Net loss on disposal of property and equipment	860	-
Donated stock	(4,998)	(9,617)
Changes in operating assets and liabilities:		
Contributions receivable	(14,583)	138,280
Prepaid expenses	(16,622)	31,436
Security deposits	-	4,473
Accounts payable and accrued expenses	(24,244)	14,616
Deferred symposium revenue	7,514	-
Grants payable	(75,000)	(105,722)
	<u>                    </u>	<u>                    </u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 724,195</u>	<u>\$ (151,063)</u>

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019 and 2018**

**NOTE 1 - DESCRIPTION OF ORGANIZATION**

The Mesothelioma Applied Research Foundation, Inc. (the Foundation) is a non-profit organization dedicated to eradicating mesothelioma and easing the suffering caused by this cancer. The organization funds peer-reviewed mesothelioma research; provides support services and education to patients and their families, and advocates for increased federal funding for mesothelioma research.

**Research** – The Foundation funds the most promising mesothelioma research projects globally, as determined by a rigorous peer-review process.

**Education Support and Symposium** – Patient support services offered by the Foundation include personalized consultations and guidance through treatment with mesothelioma experts. This includes providing patients with information about treatment options, connecting them with mesothelioma treatment specialists when needed, and facilitating access to the Foundation's support groups.

**Advocacy** – The Foundation advocates on behalf of its patients and families for increased funding of mesothelioma research through federal investment.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when earned and expenses are recognized when incurred.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all checking, money market, cash held by investment brokers, and short-term investments with original maturity of three months or less, to be cash and cash equivalents.

**Contributions Receivable**

Contributions receivable consist of unconditional commitments to the Foundation and are recorded at the earlier of the date received or the date of receipt of a donor's non-contingent promise or pledge. Unconditional contributions receivable that are expected to be collected in one year are recorded at their net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The Foundation considers all contributions receivable as of December 31, 2019 and 2018 to be fully collectible; therefore, no provision has been made for an allowance for uncollectible contributions receivable.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019 and 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments are reported at fair value on the date of the statements of financial position, which may differ from the amount ultimately realized at the time of sale. The difference may be material. Interest and dividend income, realized and unrealized gains and losses, and investment management fees are reflected in net investment income on the statements of activities. Donated securities are recorded at fair value and sold immediately upon receipt to establish fair market value.

**Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1*: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).
- *Level 2*: Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3*: Level 3 inputs are unobservable (e. g., a company's own data) and are used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of the unobservable inputs. There have been no changes in the methodology used at December 31, 2019 and 2018. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

Mutual Funds and Exchange Traded Funds - The securities that are listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction priced before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019 and 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Intangible Assets**

Property and equipment acquisitions with a useful life greater than one year and the cost in excess of \$500 (including major renewals, replacements, and betterments) are capitalized and stated at cost. Depreciation of computer equipment is provided for under the straight-line method over the estimated useful lives of the assets of approximately five years. Website costs are amortized using the straight-line basis over an estimated useful life of three years. Intangibles are recorded at cost and are amortized using the straight-line method over an estimated useful life of fifteen years. Expenditures for ordinary maintenance and repair items are charged to operations as incurred.

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**Grants Payable**

Grants made by the Foundation are recorded in the financial statements at the time the grants are approved by the Board of Directors, which are payable within one year. The Foundation records the rescission of grants in the year the grant is cancelled.

**Net Assets**

Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets without donor restrictions are available for use at the discretion of the Board and committees (the Board) and/or management for general operating purposes.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is completed, the net assets are reclassified as net assets without donor restriction and reported in the statements as net assets released from restrictions. There were no net assets with donor restrictions remaining as of December 31, 2019 and 2018.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019 and 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

The Foundation recognizes contributions received and made, including unconditional contributions receivable, as revenue in the period received or made. Contributions received are reported as either revenue without donor restrictions or revenue with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenue without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises to give for the years ended December 31, 2019 and 2018.

The Foundation recognizes sponsorships and registration fees from the Symposium as revenue in the period in which the event takes place. Cash receipts received prior to the annual symposium event occurrence is included in deferred revenue. The Foundation recognizes other income when earned.

**Donated Services and Materials**

The Foundation relies heavily on volunteers to perform certain services for its programs. Because these services do not meet specified criteria for recognition as income and expenses, the value of these services has not been included in the statement of activities. Donated services and materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

**Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or supporting service.

Supporting services are comprised of management and general and fundraising expenses and include those costs that are not directly identifiable with any specific program, but provide for the overall support and direction of the Foundation. Accordingly, certain overhead expenses have been allocated based on time spent by the Foundation's personnel in such functions.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2019 and 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising Expenses**

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 totaled \$10,527 and \$3,415, respectively, and is included with advertising and marketing in the statements of functional expenses.

**Income Taxes**

The Foundation is exempt from federal and state income taxes (except taxes on unrelated business income) under 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended December 31, 2019 and 2018 since the Foundation did not have any taxable income from unrelated business activities.

The income tax positions taken by the Foundation for any years open under the various statutes of limitations are that the Foundation continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. Management believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. The Foundation's federal and state income tax returns are not currently under examination.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order for them to correspond to current year format and standards. Total net assets and changes in net assets are unchanged due to these reclassifications.

**Accounting Pronouncements Adopted**

During 2019, the Foundation adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

The Foundation also adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2019 and 2018

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation adopted the new ASUs effective January 1, 2019 using the full retrospective method. Implementation did not have a material impact on the Foundation's financial statements.

**Accounting Pronouncements Not Yet Adopted**

ASU 2016-02, *Leases (Topic 842)* changes the accounting treatment for operating leases by recognizing both a lease asset and a lease liability, at the present value of the lease payments, in the statements of financial position. Additional disclosures regarding key information about the leasing arrangements will also be required. In April 2020, the Financial Accounting Standards Board voted to defer the effective date until the year ended December 31, 2022. The Foundation plans to adopt the new ASU at the required implementation date.

**NOTE 3 - INVESTMENTS**

As of December 31, 2019 and 2018, investments consisted of mutual funds and exchange traded funds of \$1,443,183 and \$1,091,451, respectively. All investments are considered Level 1 (using quoted prices in active markets for identical assets).

Net investment income (loss) consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 78,039	\$ 67,550
Realized gains	3,523	20,972
Unrealized gains (losses)	<u>96,264</u>	<u>(123,414)</u>
	177,826	(34,892)
Less, investment expenses	<u>(13,908)</u>	<u>(15,306)</u>
Total net investment income (loss)	<u>\$ 163,918</u>	<u>\$ (50,198)</u>

**NOTE 4 - PROPERTY AND INTANGIBLE ASSETS**

Property and intangible assets consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 7,090	\$ 8,756
Website	7,299	7,299
Intangible asset - logo	<u>6,000</u>	<u>6,000</u>
	20,389	22,055
Less, accumulated depreciation and amortization	<u>(13,213)</u>	<u>(11,055)</u>
Net value of property and equipment	<u>\$ 7,176</u>	<u>\$ 11,000</u>



**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019 and 2018**

**NOTE 4 - PROPERTY AND INTANGIBLE ASSETS (Continued)**

For the years ended December 31, 2019 and 2018, depreciation and amortization expense totaled \$2,964 and \$2,965, respectively.

**NOTE 5 - RETIREMENT PLAN**

All Foundation employees are eligible to participate in a deferred salary savings plan under Section 403(b) of the Internal Revenue Code. The Foundation matches up to 6% of the eligible salary upon participation. For the years ended December 31, 2019 and 2018, employer contributions totaled \$22,253 and \$23,720, respectively, which are included in employee benefits in the statements of functional expenses.

**NOTE 6 - LEASE COMMITMENT**

The Foundation's office lease agreement expires in July 2023. The lease agreement requires a monthly base rent of \$4,077 per month with a 4% annual adjustment of the base rent after the first year.

Future minimum lease commitments on the non-cancellable office lease for the years ended December 31 are as follows:

Year ending December 31,	
2020	\$ 51,728
2021	53,798
2022	55,946
2023	<u>33,382</u>
	<u>\$ 194,854</u>

Rent expense totaled \$37,670 and \$62,017 for the years ended December 31, 2019 and 2018, respectively, and is included with rent and storage in the statements of activities.

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Foundation has placed its investments in a professionally managed portfolio that contains equity and fixed income mutual funds and exchange traded funds. Such investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

**THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2019 and 2018

**NOTE 7 - CONCENTRATION OF CREDIT RISK (Continued)**

The Foundation maintains bank accounts with a local financial institution and cash equivalents within the investment accounts. The balances may exceed the maximum amount covered by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

**NOTE 8 - LIQUIDITY**

The Foundation's financial assets available for operating expenditures within one year of the statement of financial position date are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,287,726	\$ 810,478
Contributions receivable	29,921	15,338
Investments	<u>1,443,183</u>	<u>1,091,451</u>
Total financial assets available within one year	<u>\$ 2,760,830</u>	<u>\$ 1,917,267</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

**NOTE 9 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 7, 2020, which is the date the financial statements are available to be issued. The Foundation received a loan on May 1, 2020 for \$96,998 from a local bank under the U.S. Small Business Administration Paycheck Protection Program with an interest rate of 1% and due in two years. The loan may be eligible for forgiveness pursuant to the Paycheck Protection Program.

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in revenue caused by COVID-19 could result in a reduction in programs and other material financial effects.

Except as previously disclosed, management has determined that there are no other subsequent events which require disclosure.