

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

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019



THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

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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, 2020 and 2019, 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 misstatements.

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, 2020 and 2019, 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.

UHY LLP

Columbia, Maryland
August 19, 2021

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Checking and savings accounts	\$ 5,531,331	\$ 1,260,717
Cash equivalents held by investment manager	73,131	27,009
Total cash and cash equivalents	<u>5,604,462</u>	<u>1,287,726</u>
Contributions receivable	160,186	29,921
Prepaid expenses	<u>11,762</u>	<u>34,536</u>
Total current assets	<u>5,776,410</u>	<u>1,352,183</u>
NON-CURRENT ASSETS		
Investments	1,724,865	1,443,183
Property and intangible assets - net	7,979	7,176
Security deposit	<u>4,077</u>	<u>4,077</u>
Total non-current assets	<u>1,736,921</u>	<u>1,454,436</u>
TOTAL ASSETS	<u><u>\$ 7,513,331</u></u>	<u><u>\$ 2,806,619</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 39,759	\$ 37,250
Deferred symposium revenue	-	7,514
Grants payable	250,000	200,000
Paycheck Protection Program (PPP) loan	<u>96,997</u>	<u>-</u>
Total current liabilities	<u>386,756</u>	<u>244,764</u>
NET ASSETS		
Without donor restrictions	<u>7,126,575</u>	<u>2,561,855</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,513,331</u></u>	<u><u>\$ 2,806,619</u></u>

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Other Income						
Contributions	\$ 5,045,564	\$ 58,450	\$ 5,104,014	\$ 1,259,669	\$ 118,240	\$ 1,377,909
Symposium sponsorships and registration fees	418,500	-	418,500	622,850	-	622,850
Other income	6,060	-	6,060	2,144	-	2,144
Net investment income	99,527	-	99,527	163,918	-	163,918
Net assets released from restrictions	58,450	(58,450)	-	118,240	(118,240)	-
Total revenue, support, and other income	5,628,101	-	5,628,101	2,166,821	-	2,166,821
Expenses						
Program services:						
Research	272,434	-	272,434	262,152	-	262,152
Education Support and Symposium	487,718	-	487,718	705,507	-	705,507
Advocacy	50,929	-	50,929	24,301	-	24,301
Total program services	811,081	-	811,081	991,960	-	991,960
Supporting services:						
Management and general	115,147	-	115,147	87,440	-	87,440
Fundraising	137,153	-	137,153	139,330	-	139,330
Total expenses	1,063,381	-	1,063,381	1,218,730	-	1,218,730
Change in Net Assets	4,564,720	-	4,564,720	948,091	-	948,091
Net Assets, Beginning	2,561,855	-	2,561,855	1,613,764	-	1,613,764
Net Assets, Ending	<u>\$ 7,126,575</u>	<u>\$ -</u>	<u>\$ 7,126,575</u>	<u>\$ 2,561,855</u>	<u>\$ -</u>	<u>\$ 2,561,855</u>

See notes to financial statements.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	Program Services				Supporting services		
	Research	Education Support and Symposium	Advocacy	Total Program Services	Management and General	Fundraising	Total
Personnel costs:							
Salaries	\$ 42,258	\$ 245,788	\$ 31,227	\$ 319,273	\$ 36,748	\$ 68,401	\$ 424,422
Employee benefits	9,756	56,876	7,186	73,818	8,483	15,548	97,849
Payroll taxes	3,302	19,172	2,535	25,009	2,946	5,529	33,484
Total personnel costs	55,316	321,836	40,948	418,100	48,177	89,478	555,755
Accounting	2,403	14,001	1,736	18,140	20,446	3,801	42,387
Advertising and marketing	587	7,080	518	8,185	576	1,111	9,872
Bank and credit card fees	-	-	-	-	15,199	712	15,911
Computer and internet	978	5,684	714	7,376	844	17,056	25,276
Depreciation and amortization	-	-	-	-	2,748	-	2,748
Dues and subscriptions	5,047	229	1,025	6,301	30	54	6,385
Event rental and supplies	60	12,539	57	12,656	63	218	12,937
Gifts	-	-	-	-	135	-	135
Grants - patient travel	-	51,841	-	51,841	-	-	51,841
Grants - research	200,000	-	-	200,000	-	-	200,000
Insurance	668	3,890	488	5,046	576	1,069	6,691
Meals	9	53	4	66	5	8	79
Rent and storage	5,875	34,168	4,322	44,365	5,093	9,488	58,946
Office expenses and supplies	169	1,067	126	1,362	226	6,849	8,437
Payroll services	293	1,701	216	2,210	255	471	2,936
Postage	109	6,099	64	6,272	209	553	7,034
Printing	6	67	6	79	8	48	135
Professional fees	144	21,138	141	21,423	14,787	4,971	41,181
Repairs and maintenance	115	671	83	869	98	182	1,149
Telephone	365	2,549	255	3,169	5,411	559	9,139
Travel and entertainment	66	1,798	66	1,930	71	176	2,177
Utilities	70	408	51	529	60	111	700
Workers compensation	154	899	109	1,162	130	238	1,530
Total expenses	<u>\$ 272,434</u>	<u>\$ 487,718</u>	<u>\$ 50,929</u>	<u>\$ 811,081</u>	<u>\$ 115,147</u>	<u>\$ 137,153</u>	<u>\$ 1,063,381</u>

See notes to financial statements.

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

	Program services				Supporting services		
	Research	Education Support and Symposium	Advocacy	Total Program Services	Management and General	Fundraising	Total
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.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from:		
Contributions	\$ 4,973,749	\$ 1,358,328
Symposium sponsorships and registration fees	418,500	622,850
Interest and dividends	65,078	78,039
Other income	6,060	2,144
Cash paid for:		
Payments to and on behalf of employees	(556,276)	(570,934)
Payments for goods and services	(243,419)	(400,385)
Payments to grantees	(201,842)	(365,847)
Deferred Symposium	(7,514)	-
	<u>4,454,336</u>	<u>724,195</u>
Net cash provided by operating activities		
	<u>4,454,336</u>	<u>724,195</u>
Cash Flows from Investing Activities		
Purchases of investments	(546,525)	(775,531)
Proceeds from sales of investments	315,479	528,584
Equipment purchase	(3,551)	-
	<u>(234,597)</u>	<u>(246,947)</u>
Net cash used by investing activities		
	<u>(234,597)</u>	<u>(246,947)</u>
Cash Flows from Financing Activities		
Cash received from PPP loan	96,997	-
	<u>96,997</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	4,316,736	477,248
Cash and Cash Equivalents, Beginning	<u>1,287,726</u>	<u>810,478</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 5,604,462</u></u>	<u><u>\$ 1,287,726</u></u>
Noncash investing activity:		
Donated stock	<u><u>\$ -</u></u>	<u><u>\$ 4,998</u></u>
Disposal of property and equipment	<u><u>\$ -</u></u>	<u><u>\$ 1,666</u></u>

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Change in Net Assets to		
Net Cash From Operating Activities		
Change in net assets	\$ 4,564,720	\$ 948,091
Reconciliation adjustments:		
Depreciation and amortization	2,748	2,964
Realized gains (losses) on investments	13,992	(3,523)
Unrealized gains on investments	(64,628)	(96,264)
Net loss on disposal of property and equipment	-	860
Donated stock	-	(4,998)
Changes in operating assets and liabilities:		
Contributions receivable	(130,265)	(14,583)
Prepaid expenses	22,774	(16,622)
Security deposits	-	-
Accounts payable and accrued expenses	2,509	(24,244)
Deferred symposium revenue	(7,514)	7,514
Grants payable	50,000	(75,000)
	<u>50,000</u>	<u>(75,000)</u>
Net Cash Provided by		
Operating Activities	<u>\$ 4,454,336</u>	<u>\$ 724,195</u>

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019

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. 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:* 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:* 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:* 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, 2020 and 2019. 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, 2020 and 2019

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 awarded 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, 2020 and 2019.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

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, 2020 and 2019.

The Foundation recognizes sponsorships and registration fees from the symposium as revenue in the period in which the event takes place. Sponsorships and registration fees received prior to the annual symposium event occurrence are 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. In accordance with GAAP, contributions of donated services that require specialized skills are provided by individuals possessing those skills, and the services would typically need to be purchased if not provided by donation. 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 and be affected by the severity and duration of the COVID-19 pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

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.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

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.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 totaled \$9,872 and \$10,527, 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, 2020 and 2019 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.

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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in the ASU improves the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU should be applied on a retrospective basis. The ASU is effective for the year ending December 31, 2022. The Foundation does not anticipate that this ASU will have a material impact on the financial statements.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 3 - INVESTMENTS

As of December 31, 2020 and 2019, investments consisted of mutual funds and exchange traded funds of \$1,724,865 and \$1,443,183, 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>2020</u>	<u>2019</u>
Interest and dividends	\$ 65,078	\$ 78,039
Realized gains (losses)	(13,992)	3,523
Unrealized gains	<u>64,628</u>	<u>96,264</u>
	115,714	177,826
Less, investment expenses	<u>(16,187)</u>	<u>(13,908)</u>
Total net investment income	<u>\$ 99,527</u>	<u>\$ 163,918</u>

NOTE 4 - PROPERTY AND INTANGIBLE ASSETS

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

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 10,641	\$ 7,090
Website	7,299	7,299
Intangible asset - logo	<u>6,000</u>	<u>6,000</u>
	23,940	20,389
Less, accumulated depreciation and amortization	<u>(15,961)</u>	<u>(13,213)</u>
Net value of property and intangible assets	<u>\$ 7,979</u>	<u>\$ 7,176</u>

For the years ended December 31, 2020 and 2019, depreciation and amortization expense totaled \$2,748 and \$2,964, respectively.

NOTE 5 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On May 7, 2020, the Foundation entered into a U.S. Small Business Administration (SBA) PPP loan in the principal amount of \$96,997 payable to Burke & Herbert Bank (the bank) evidencing a PPP loan from the bank. The PPP loan will bear interest at a rate of 1% per annum. No payments will be due on the PPP loan until either (1) the date that SBA remits the loan forgiveness amount to the lender or (2) if the Foundation does not apply for loan forgiveness, 10 months after the end of the Foundation's loan forgiveness covered period.

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 5 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN (Continued)

The principal amount of the PPP loan is subject to forgiveness by the bank through the SBA under the PPP upon the Foundation's request to the extent that PPP loan proceeds were used to pay expense permitted by the PPP, including payroll, rent, and utilities. The bank may forgive interest accrued on any principal forgiven if the SBA pays interest. Until the forgiveness is actually received, the loan is reported as a liability in the statements of financial position. The Foundation will record forgiveness upon being legally released from the loan obligation in 2021. On May 24, 2021, the full amount of the loan and accrued interest were formally forgiven by the SBA.

According to the rules of the SBA, the Foundation is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of the Offices of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Foundation's judgements pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Foundation may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 6 - 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, 2020 and 2019, employer contributions totaled \$22,660 and \$22,253, respectively, which are included in employee benefits in the statements of functional expenses.

NOTE 7 - 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,

2021	53,798
2022	55,946
2023	<u>33,382</u>
	<u>\$ 143,126</u>

Rent expense totaled \$56,308 and \$37,670 for the years ended December 31, 2020 and 2019, respectively, and is included with rent and storage in the statements of activities.

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NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Concentration of Donors

For the year ended December 31, 2020, one donor accounted for 71% of contributions. There was no concentration of donors for the year ended December 31, 2019. If a significant reduction in this donor should occur, it may have an effect on the Foundation's programs.

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 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 9 - LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 5,604,462	\$ 1,287,726
Contributions receivable	160,186	29,921
Investments	<u>1,724,865</u>	<u>1,443,183</u>
Total financial assets available within one year	<u>\$ 7,489,513</u>	<u>\$ 2,760,830</u>

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

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NOTE 10 - IMPACT OF COVID-19 VIRUS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. In response to local and state government mandated business closures, the Foundation temporarily closed its facilities to the public. The Foundation continues operations through remote access and limiting onsite staff.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 19, 2021, which is the date the financial statements are available to be issued.

On February 18, 2021, the Foundation entered into a U.S. SBA PPP loan in the principal amount of \$96,970 payable to Burke & Herbert Bank (the bank). The PPP loan will bear interest at a rate of 1% per annum. No payments will be due on the PPP loan until either (1) the date that SBA remits the loan forgiveness amount to the lender or (2) if the Foundation does not apply for loan forgiveness, 10 months after the end of the Foundation's loan forgiveness covered period.

Except as disclosed in Note 5 regarding the PPP loan forgiveness on May 24, 2021 and the event noted above, management has determined that there are no other subsequent events which require disclosure.