

THE MESOTHELIOMA APPLIED RESEARCH FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020



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.

Opinion

We have audited the accompanying financial statements of The Mesothelioma Applied Research Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Mesothelioma Applied Research Foundation, Inc. (the Foundation) and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, simpler font to the right.

Columbia, Maryland
September 14, 2022

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Checking and savings accounts	\$ 2,136,616	\$ 5,531,331
Cash equivalents held by investment manager	820,040	73,131
Total cash and cash equivalents	2,956,656	5,604,462
Contributions receivable	45,698	160,186
Prepaid expenses	10,495	11,762
	<u>3,012,849</u>	<u>5,776,410</u>
NON-CURRENT ASSETS		
Investments	6,364,340	1,724,865
Property and intangible assets - net	3,208	7,979
Security deposit	4,077	4,077
	<u>6,371,625</u>	<u>1,736,921</u>
TOTAL ASSETS	<u><u>\$ 9,384,474</u></u>	<u><u>\$ 7,513,331</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 29,146	\$ 39,759
Grants payable - current portion	200,000	100,000
Paycheck Protection Program (PPP) loan	-	96,997
	<u>229,146</u>	<u>236,756</u>
NON-CURRENT LIABILITIES		
Grants payable - non-current portion	75,000	150,000
	<u>304,146</u>	<u>386,756</u>
NET ASSETS		
Without donor restrictions	9,080,328	7,126,575
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,384,474</u></u>	<u><u>\$ 7,513,331</u></u>

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

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Other Income						
Contributions	\$ 2,163,706	\$ 27,224	\$ 2,190,930	\$ 5,036,429	\$ 58,450	\$ 5,094,879
Donated services and materials	6,050	-	6,050	9,135	-	9,135
Meso TV sponsorships	420,000	-	420,000	418,500	-	418,500
Other income	-	-	-	6,060	-	6,060
Gains on extinguishment of debt - Paycheck Protection Program (PPP) loans	195,436	-	195,436	-	-	-
Net investment income	348,256	-	348,256	99,527	-	99,527
Net assets released from restrictions	27,224	(27,224)	-	58,450	(58,450)	-
Total revenue, support, and other income	3,160,672	-	3,160,672	5,628,101	-	5,628,101
Expenses						
Program services:						
Research	430,528	-	430,528	272,434	-	272,434
Education, support and symposium	504,074	-	504,074	487,718	-	487,718
Advocacy	40,527	-	40,527	50,929	-	50,929
Total program services	975,129	-	975,129	811,081	-	811,081
Supporting services:						
Management and general	117,225	-	117,225	115,147	-	115,147
Fundraising	114,565	-	114,565	137,153	-	137,153
Total expenses	1,206,919	-	1,206,919	1,063,381	-	1,063,381
Change in Net Assets	1,953,753	-	1,953,753	4,564,720	-	4,564,720
Net Assets, Beginning	7,126,575	-	7,126,575	2,561,855	-	2,561,855
Net Assets, Ending	\$ 9,080,328	\$ -	\$ 9,080,328	\$ 7,126,575	\$ -	\$ 7,126,575

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.**
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program Services				Supporting Services		
	Research	Education, Support and Symposium	Advocacy	Total Program Services	Management and General	Fundraising	Total
Personnel costs:							
Salaries	\$ 44,184	\$ 246,514	\$ 24,187	\$ 314,885	\$ 50,436	\$ 58,621	\$ 423,942
Employee benefits	12,253	67,775	6,560	86,588	804	16,158	103,550
Payroll taxes	3,827	21,344	2,092	27,263	4,370	5,072	36,705
Total personnel costs	60,264	335,633	32,839	428,736	55,610	79,851	564,197
Accounting	3,239	17,991	1,781	23,011	13,292	4,462	40,765
Advertising and marketing	737	7,260	373	8,370	1,932	835	11,137
Bank and credit card fees	-	-	-	-	12,762	1,201	13,963
Computer and internet	1,039	5,867	561	7,467	4,828	14,422	26,717
Depreciation and amortization	-	-	-	-	3,053	-	3,053
Dues and subscriptions	7,377	7,100	682	15,159	1,950	1,819	18,928
Events	4	24	3	31	4	7	42
Gifts	20	111	42	173	240	22	435
Grants - patient travel	-	49,118	-	49,118	-	-	49,118
Grants - research	350,000	-	-	350,000	-	-	350,000
Insurance	694	3,892	372	4,958	763	895	6,616
Interest	-	-	-	-	1,444	-	1,444
Rent and storage	5,998	33,638	3,226	42,862	6,613	7,763	57,238
Office expenses and supplies	48	429	28	505	2,112	143	2,760
Payroll services	364	2,039	192	2,595	398	466	3,459
Postage	20	7,207	8	7,235	(108)	630	7,757
Printing	-	9,355	29	9,384	-	1,107	10,491
Professional fees, including in-kind services of \$6,050	-	20,000	-	20,000	6,050	-	26,050
Repairs and maintenance	121	678	65	864	132	156	1,152
Telephone	363	2,399	194	2,956	5,759	466	9,181
Travel and entertainment	-	-	-	-	115	-	115
Utilities	83	464	46	593	93	110	796
Workers compensation	157	869	86	1,112	183	210	1,505
Total expenses	\$ 430,528	\$ 504,074	\$ 40,527	\$ 975,129	\$ 117,225	\$ 114,565	\$ 1,206,919

**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
Fundraising	109	6,099	64	6,272	209	553	7,034
Printing	6	67	6	79	8	48	135
Professional fees, including in-kind services of \$9,135	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	\$ 272,434	\$ 487,718	\$ 50,929	\$ 811,081	\$ 115,147	\$ 137,153	\$ 1,063,381

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from:		
Contributions	\$ 1,381,375	\$ 4,973,749
Meso TV sponsorships	420,000	418,500
Interest and dividends	210,606	65,078
Other income	-	6,060
Cash paid for:		
Payments to and on behalf of employees	(575,599)	(556,276)
Payments for goods and services	(291,633)	(243,419)
Payments for grants and patient travel	(374,119)	(201,842)
Deferred symposium	-	(7,514)
	<u>770,630</u>	<u>4,454,336</u>
Net cash provided by operating activities		
	<u>770,630</u>	<u>4,454,336</u>
Cash Flows from Investing Activities		
Purchases of investments	(5,120,910)	(546,525)
Proceeds from sales of investments	1,605,479	315,479
Purchase of equipment	-	(3,551)
	<u>(3,515,431)</u>	<u>(234,597)</u>
Net cash used by investing activities		
	<u>(3,515,431)</u>	<u>(234,597)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program (PPP) loan	96,995	96,997
	<u>96,995</u>	<u>96,997</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,647,806)</u>	<u>4,316,736</u>
Cash and Cash Equivalents, Beginning	<u>5,604,462</u>	<u>1,287,726</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 2,956,656</u></u>	<u><u>\$ 5,604,462</u></u>
Reconciliation of Change in Net Assets to		
Net Cash From Operating Activities		
Change in net assets	\$ 1,953,753	\$ 4,564,720
Reconciliation adjustments:		
Depreciation and amortization	3,053	2,748
Realized (gains) losses on investments	(14,553)	13,992
Unrealized gains on investments	(179,398)	(64,628)
Net loss on disposal of property and equipment	1,718	-
Donated stocks	(930,093)	-
Gains on extinguishment of debt - PPP loans	(193,992)	-
Changes in operating assets and liabilities:		
Contributions receivable	114,488	(130,265)
Prepaid expenses	1,267	22,774
Accounts payable and accrued expenses	(10,613)	2,509
Deferred symposium revenue	-	(7,514)
Grants payable	25,000	50,000
	<u>25,000</u>	<u>50,000</u>
Net Cash Provided by		
Operating Activities	<u><u>\$ 770,630</u></u>	<u><u>\$ 4,454,336</u></u>

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020**

NOTE 1 - DESCRIPTION OF ORGANIZATION

The Mesothelioma Applied Research Foundation, Inc. (the Foundation) is a nonprofit organization dedicated to eradicating mesothelioma and easing the suffering caused by this cancer. The Foundation 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 the performance obligation is met, 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, 2021 and 2020 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, 2021 and 2020**

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 less 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

Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2021 and 2020. 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, 2021 and 2020**

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 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 and utilized for program and support services. 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 to two years. 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, 2021 and 2020.

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020**

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, 2021 and 2020.

The Foundation recognizes sponsorships 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 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 statements 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 and are utilized for program and support services. 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.

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2021 and 2020 totaled \$11,137 and \$9,872, 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, 2021 and 2020 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

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, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts from the 2020 financial statements have been reclassified to conform to the 2021 presentation. There was no effect on the 2020 change in net assets as a result of these reclassifications.

NOTE 3 - INVESTMENTS

As of December 31, 2021 and 2020, investments consisted of mutual funds and exchange traded funds of \$6,364,340 and \$1,724,865, 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>2021</u>	<u>2020</u>
Interest and dividends	\$ 210,606	\$ 65,078
Realized gains (losses)	14,553	(13,992)
Unrealized gains	<u>179,398</u>	<u>64,628</u>
	404,557	115,714
Less, investment expenses	<u>(56,301)</u>	<u>(16,187)</u>
Total net investment income	<u>\$ 348,256</u>	<u>\$ 99,527</u>

NOTE 4 - PROPERTY AND INTANGIBLE ASSETS

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

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 10,641	\$ 10,641
Website	-	7,299
Intangible asset - logo	<u>6,000</u>	<u>6,000</u>
	16,641	23,940
Less, accumulated depreciation and amortization	<u>(13,433)</u>	<u>(15,961)</u>
Net value of property and intangible assets	<u>\$ 3,208</u>	<u>\$ 7,979</u>

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020**

NOTE 4 - PROPERTY AND INTANGIBLE ASSETS (Continued)

For the years ended December 31, 2021 and 2020, depreciation and amortization expense totaled \$3,053 and \$2,748, respectively.

NOTE 5 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

During the years ended December 31, 2021 and 2020, the Foundation entered into a U.S. Small Business Administration (SBA) PPP loan in the principal amount of \$96,995 (PPP2 loan) and \$96,997 (PPP1 loan) from Burke & Herbert Bank (the Bank), respectively. The PPP loans have a term of five years and bear interest at a rate of 1% per annum. No payments will be due on the PPP loan until either (1) the date that the 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. If the PPP loan is not forgiven, the Foundation will be obligated to make monthly payments of principal and interest, each in such equal amounts required to fully amortize the principal amount outstanding on the PPP loans by the maturity dates.

The principal amount of the PPP loans 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 expenses permitted by the PPP, including payroll, rent, and utilities. The Bank may forgive interest accrued on any principal forgiven if the SBA pays interest.

PPP2 loan was forgiven on July 28, 2021, and PPP1 loan was forgiven on May 24, 2021. Both amounts were recorded as gains on extinguishment of debt in the statement of activities for the year ended December 31, 2021, which included accrued interest.

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 Office 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 judgments 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, 2021 and 2020, employer contributions totaled \$19,761 and \$22,660, respectively, which are included in employee benefits in the statements of functional expenses.

**THE MESOTHELIOMA APPLIED
RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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:

<u>Years Ending December 31,</u>	
2022	\$ 55,946
2023	<u>33,382</u>
Total	<u>\$ 89,328</u>

Rent expense totaled \$54,150 and \$56,308 for the years ended December 31, 2021 and 2020, respectively, and is included with rent and storage in the statements of functional expenses.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Concentration of Donors

For the year ended December 31, 2021, there was no concentration of donors. For the year ended December 31, 2020, one donor accounted for 71% of contributions.

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 and the Securities Investor Protection Corporation.

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.

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RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,956,656	\$ 5,604,462
Contributions receivable	45,698	160,186
Investments	<u>6,364,340</u>	<u>1,724,865</u>
Total financial assets available within one year	<u>\$ 9,366,694</u>	<u>\$ 7,489,513</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 10 - COMMITMENTS

The Foundation has entered into agreements with a vendor for a meeting in 2022. The contracts contain contingency clauses whereby the Foundation is liable for cancellations. The monetary restitution is based on expenses incurred by the vendor up to the date of cancellation, as well as additional cancellation fees.

NOTE 11 - 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 limited onsite staff. The Foundation will host the symposium in person in 2022.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 14, 2022, which is the date the financial statements are available to be issued.