Brain Tumor Network

Guiding **Patients.** Empowering **Care.**

# Financial Statements and Independent Auditor's Report Years Ended December 31, 2020 and 2019

# The Brain Tumor Network, Inc.

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Brain Tumor Network, Inc.
Ponte Vedra Beach, Florida

*Opinion*

We have audited the financial statements of The Brain Tumor Network, Inc., which comprise the statement 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Brain Tumor Network, Inc., as of December 31, 2020 and 2019, 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 ("GAAS"). 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 Company 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 Company's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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.

Pivot CPAs

Ponte Vedra Beach, Florida
March 24, 2021

# The Brain Tumor Network, Inc.
## Statements of Financial Position

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 63,114 | $ 3,087,754 |
| Investments | 2,552,497 | 974,255 |
| Prepaid expenses | 6,592 | - |
| Intangible assets | 144,895 | - |
| **TOTAL ASSETS** | $ 2,767,098 | $ 4,062,009 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 10,752 | $ 17,498 |
| Note payable | 179,410 | - |
| Total liabilities | 190,162 | 17,498 |
| Commitments and Contingencies (Note 11) | | |
| Net Assets | | |
| With donor restrictions | 7,753 | - |
| Without donor restrictions | 2,569,183 | 4,044,511 |
| Total net assets | 2,576,936 | 4,044,511 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 2,767,098 | $ 4,062,009 |

*The accompanying notes are an integral part of these financial statements*

# The Brain Tumor Network, Inc.
## Statements of Activities

| | *For the Years Ended* | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | | | December 31, 2019 | | |
| Revenue, Support, Gains and Losses | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Contributions | $ 238,201 | $ 23,753 | $ 261,954 | $ 364,476 | $ - | $ 364,476 |
| Interest and investment income on investments | 16,080 | - | 16,080 | 117,402 | - | 117,402 |
| Net change in unrealized gain/(loss) on investments | - | - | - | 65 | - | 65 |
| Net assets released from restriction | 16,000 | (16,000) | - | - | - | - |
| Total Revenue, Support, Gains and Losses | 270,281 | 7,753 | 278,034 | 481,943 | - | 481,943 |
| Expenses | | | | | | |
| Program Services | 1,628,295 | - | 1,628,295 | 1,192,089 | - | 1,192,089 |
| Support Services: | | | | | | |
| Management and general | 73,894 | - | 73,894 | 64,527 | - | 64,527 |
| Fundraising | 43,420 | - | 43,420 | 52,287 | - | 52,287 |
| Total Support Services | 117,314 | - | 117,314 | 116,814 | - | 116,814 |
| Total Expenses | 1,745,609 | - | 1,745,609 | 1,308,903 | - | 1,308,903 |
| Change in net assets | (1,475,328) | 7,753 | (1,467,575) | (826,960) | - | (826,960) |
| Net assets, beginning of year | 4,044,511 | - | 4,044,511 | 4,871,471 | - | 4,871,471 |
| Net assets, end of year | $ 2,569,183 | $ 7,753 | $ 2,576,936 | $ 4,044,511 | $ - | $ 4,044,511 |

*The accompanying notes are an integral part of these financial statements*

# The Brain Tumor Network, Inc.
## Statements of Functional Expenses

| | *For the Years Ended* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2020 | | | | December 31, 2019 | | | |
| | | Supporting Services | | | | Supporting Services | | |
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries, payroll taxes, and other related expenses | $1,368,339 | $ 51,544 | $ 13,803 | $1,433,686 | $ 936,440 | $ 43,347 | $ 5,624 | $ 985,411 |
| Amortization expense | 4,140 | - | - | 4,140 | - | - | - | - |
| Management fees | - | 12,000 | - | 12,000 | - | 12,000 | - | 12,000 |
| Occupancy | 69,511 | 1,647 | 358 | 71,516 | 67,556 | 1,826 | 221 | 69,603 |
| Insurance | - | 7,498 | - | 7,498 | - | 6,204 | - | 6,204 |
| Travel and meeting | 5,961 | - | 280 | 6,241 | 13,048 | - | - | 13,048 |
| Contract services and professional fees | 112,562 | 394 | 14,328 | 127,284 | 125,762 | 453 | 38,493 | 164,708 |
| Computer and website | 13,237 | 291 | 63 | 13,591 | 13,425 | 317 | 38 | 13,780 |
| Patient expenses | 16,000 | - | - | 16,000 | - | - | - | - |
| Other expenses | 38,545 | 520 | 14,588 | 53,653 | 35,858 | 380 | 7,911 | 44,149 |
| Total functional expenses | $1,628,295 | $ 73,894 | $ 43,420 | $1,745,609 | $1,192,089 | $ 64,527 | $ 52,287 | $1,308,903 |

*The accompanying notes are an integral part of these financial statements*

# The Brain Tumor Network, Inc.
## Statements of Cash Flows

| | *Years Ended December 31,* 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ (1,467,575) | $ (826,960) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization expense | 4,140 | - |
| Net changes in: | | |
| Decrease (increase) in prepaid expenses | (6,592) | - |
| Increase (decrease) in accounts payable | (6,746) | 8,763 |
| Net cash used in operating activities | (1,476,773) | (818,197) |
| Cash flows from investing activities: | | |
| Purchase of investments | (8,259,179) | (1,340,947) |
| Proceeds from sale of investments | 6,680,937 | 5,129,329 |
| Purchase of intangible assets - software | (149,035) | - |
| Net cash (used in) provided by investing activities | (1,727,277) | 3,788,382 |
| Cash flows from financing activities: | | |
| Proceeds from debt | 179,410 | - |
| Net cash provided by (used in) financing activities | 179,410 | - |
| Net (decrease) increase in cash and cash equivalents | (3,024,640) | 2,970,185 |
| Cash and cash equivalents at beginning of year | 3,087,754 | 117,569 |
| Cash and cash equivalents at end of year | $ 63,114 | $ 3,087,754 |

*The accompanying notes are an integral part of these financial statements*

## 1. Nature of Activities:

The Brain Tumor Network, Inc. ("BTN" or the "Organization") was incorporated in the State of Florida on July 26, 2013 and began operations in late 2014. BTN is an independent 501(c)(3) organization that provides compassionate and personalized high-touch navigation to adult patients and caregivers in the United States who seek information about treatment options for primary brain tumors beyond the standard of care. BTN was launched by The Sontag Foundation in response to unmet informational needs voiced by individuals and family members of those diagnosed with primary brain tumors. Patient navigation services are the core program of BTN. With the scarcity of personalized treatment information available to individuals in the USA diagnosed with primary brain tumors, BTN provides important informational/navigation services to patients, caregivers, and care providers. A team of nurse navigators and social workers respond to online requests and telephone inquiries to meet patients/families wherever they are in their brain tumor treatment journey, and to help them gather the information they need to explore their next steps with their healthcare providers. Services provided include: conducting personalized clinical trial searches, assistance ascertaining eligibility for participation in identified trials, facilitating second opinions and consultations, identifying specialty providers near patients' home communities, and obtaining and reviewing patient records. BTN does not provide medical advice but does provide information to equip patients and care providers to participate in important conversations with their healthcare professionals.

## 2. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with US GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes thereto are classified and reported as follows:

Net assets without donor restrictions – consists of amounts that are available for use in carrying out the supporting activities of BTN and are not subject to donor-imposed stipulations.

Net assets with donor restrictions – consists of amounts that are restricted for specific operations of BTN. These amounts are subject to donor-imposed stipulations that will be met by BTNs' actions in execution of events. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

Cash and cash equivalents consist of interest-bearing bank deposits with two financial institutions, which may at times exceed federally insured limits. Interest income on cash deposits are included in interest and investment income on the accompanying statement of activities.

**2. Summary of Significant Accounting Policies (Continued):**

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

BTN uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

Investments generally consist of certificates of deposit and mutual funds. Investments with a stated maturity date of one year or less from the balance sheet date or that are expected to be used in current operations are classified as current. Investments are reported at their fair values in the statements of financial position as described in Note 3. Realized and unrealized gains and losses are reflected in the statements of activities.

Intangible Assets

Intangible assets consist of capitalized software implementation costs associated with a client support management system and custom-developed clinical trial management tool. Software implementation costs incurred to develop internal-use computer software during the application development stage are capitalized and amortized on a straight-line basis over the estimated economic life of the asset. Capitalization of computer software costs is discontinued, and amortization begins when the computer software is available to be placed in service. The capitalized software costs are amortized using the straight-line method over the estimated economic useful life.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**2. Summary of Significant Accounting Policies (Continued):**

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are done so based on estimates of time and effort.

Income Taxes

BTN is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state taxes under similar provisions of the Florida statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

BTN files the required annual federal informational return for tax-exempt organizations which are subject to examination by the taxing authorities. BTN is subject to federal tax examinations for a period of three years after the respective filing of those returns.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Standards – Recently Adopted

Effective January 1, 2020, the Organization adopted Accounting Standards Update ("ASU") No. 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Topic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. ASU 2018-15 aligns the capitalization requirements for implementation costs for cloud computing arrangement service contracts (including those with software license) with the current guidance for internal-use software licenses. The adoption of ASU 2018-15 was on a prospective basis and had no significant impact on the Organization's financial statements.

Effective January 1, 2019, the Organization adopted ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The adoption of ASU 2018-08 had no significant impact on the Organization's financial statements.

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## 2. Summary of Significant Accounting Policies (Continued):

Effective January 1, 2019, the Organization adopted ASU No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes existing accounting standards and creates a single framework for revenue recognition. The adoption of ASU 2014-09 had no significant impact on the Organization's financial statements

Recent Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. The standard is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact of adopting this guidance on its financial statements.

## 3. Fair Value Measurements:

ASC 820, *Fair Value Measurements and Disclosures*, provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value. In accordance with ASC 820, the Company groups financial assets and financial liabilities measured at fair value into three levels based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are defined as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methods and assumptions used to estimate the fair values of investments:

*Mutual funds:* The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

**3. Fair Value Measurements (Continued):**

The following table presents the balances of financial assets measured at fair value on a recurring basis as of December 31, 2020 and 2019.

| *December 31, 2020* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual funds | $ 2,552,497 | $ - | $ - | $ 2,552,497 |

| *December 31, 2019* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual funds | $ 974,255 | $ - | $ - | $ 974,255 |

**4. Intangible Assets:**

Intangible assets consist of the following at December 31:

| *December 31,* | Life in years | 2020 | 2019 |
|---|---|---|---|
| Software | 3 | $ 149,035 | $ - |
| Less accumulated amortization | | (4,140) | - |
| | | $ 144,895 | $ - |

Amortization expense related to intangible assets was $4,140 and $0 for the years ended December 31, 2020 and 2019, respectively.

Future amortization of intangible assets for the years ending December 31, are as follows:

| *Years ending December 31,* | |
|---|---|
| 2021 | $ 49,678 |
| 2022 | 49,678 |
| 2023 | 45,539 |
| | $ 144,895 |

**5. Note Payable:**

On May 1, 2020, the Company received a $179,410 loan made pursuant to the terms of the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan has a two-year term and accrues simple interest at a fixed annual rate of 1.00%. Under the terms of the CARES Act guidelines, a portion of the loan up to 100% may be forgiven by the U.S. Small Business Administration if the amount spent is within the timeframe and under the guidelines that have been set for forgiveness. The Company believes it has met the requirements for forgiveness.

## 6. Net Assets:

*Net assets with donor restrictions*

Proceeds from contributions received for certain patient services are reported as an increase in net assets with donor restrictions. Net assets available for patient services as of December 31, 2020 and 2019 totaled \$7,753 and \$0, respectively.

Net assets were released from restriction totaling \$16,000 and \$0 for the years ended December 31, 2020 and 2019, respectively.

*Net assets without donor restrictions*

At December 31, 2020 and 2019, all unrestricted net assets are undesignated as to their use.

## 7. Liquidity and Availability of Financial Assets:

The following reflects BTN’s financial assets available within one year of the balance sheet date.

All net assets without donor restrictions are available to meet cash needs for general expenditures of the organization within one year. As part of BTN's liquidity management, it invests cash in excess of monthly requirements in short-term investments, typically certificates of deposit and mutual funds.

| *December 31,* | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 63,114 | $ 3,087,754 |
| Short-term investments | 2,552,497 | 974,255 |
| | $ 2,615,611 | $ 4,062,009 |

## 8. Related Party Transactions:

*Description of Cost Sharing Agreement*

BTN, The Sontag Foundation (“SF”) and Spring Bay Management, LLC (“SBM”) are related parties and share various expenses according to a cost sharing agreement whereby common services, common expenses, and general overhead expenses are allocated to each organization on an equitable and fair basis. Management reviews the sharing allocation method periodically (generally annually) to determine any required adjustments and applies the changes prospectively. BTN was allocated expenses totaling \$227,798 and \$195,715 during the years ended December 31, 2020 and 2019, respectively. In addition to the cost sharing allocation BTN paid management fees to SBM totaling \$12,000 during the years ended December 31, 2020 and 2019.

**8. Related Party Transactions (Continued):**

*Description of Leasing Arrangement*

BTN currently operates out of office space leased by SBM. SBM allocates the pro-rata lease expense to BTN on the basis of square footage. BTN paid rent totaling $71,516 and $69,545 during the years ended December 31, 2020 and 2019, respectively.

**9. Employee Benefit Plan:**

BTN sponsors a 401(k) qualified retirement plan covering eligible employees meeting certain age, length of service, and annual work hours requirements. BTN makes a safe-harbor matching contribution of which participants are immediately fully vested. Participants may make voluntary contributions to this plan under its 401(k) provisions, subject to limitations based on IRS regulations and compensation. BTN contributed $31,211 and $13,767 to the plan during the years ended December 31, 2020 and 2019, respectively, which is included in salaries, payroll taxes, and other related expenses on the accompanying statements of functional expenses.

**10. Concentration of Credit Risk:**

BTN received from ten donors contributions totaling $110,370 representing approximately 42% of total contribution revenues during the year ended December 31, 2020. BTN received from one donor contributions totaling $340,000 representing approximately 93% of total contribution revenues during the year ended December 31, 2019, respectively.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization had approximately $0 and $2.76 million in excess of FDIC insured limits at December 31, 2020 and 2019, respectively. The Organization does not believe it is exposed to any significant credit risks on these deposits.

**11. Commitments and Contingencies:**

In April 2020, the Organization entered into a master service agreement for cloud-based software. The agreement provides for billings in annual installments and expires in April 2025. Expenses in connection with this service agreement for the year ended December 31, 2020 amounted to $14,984 and is included in contract services and professional fees on the statement of functional expenses. Minimum annual commitments under this service agreement for the years ending December 31 are as follows:

| *Years ending December 31,* | | |
|---|---|---|
| 2021 | $ | 21,576 |
| 2022 | | 21,576 |
| 2023 | | 21,576 |
| 2024 | | 21,576 |
| 2025 | | 6,473 |
| | $ | 92,777 |

**12. Subsequent Events:**

The note payable was forgiven in full by the SBA on January 4, 2021 including applicable interest.

On March 2, 2021, the Organization received a second draw loan made pursuant to the terms of the Paycheck Protection Program authorized by the CARES Act in the amount of $250,200. The loan has a five-year term and accrues simple interest at a fixed annual rate of 1.00%. Under the terms of the CARES Act guidelines, a portion of the loan up to 100% may be forgiven by the U.S. Small Business Administration if the amount spent is within the timeframe and under the guidelines that have been set for forgiveness.

BTN has evaluated the accounting and disclosure requirements for subsequent events through March 24, 2021 the date the financial statements were available to be issued.