

EISNERAMPER

**THE FIBROLAMELLAR CANCER
FOUNDATION**

FINANCIAL STATEMENTS

DECEMBER 31, 2020



THE FIBROLAMELLAR CANCER FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Fibrolamellar Cancer Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Fibrolamellar Cancer Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows, for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Fibrolamellar Cancer Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
Iselin, New Jersey
October 27, 2021



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THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Financial Position December 31, 2020

ASSETS

Cash and cash equivalents	\$ 1,836,850
Investments	3,556,517
Other receivables	95
Equipment, net	<u>2,220</u>
Total assets	<u>\$ 5,395,682</u>

LIABILITIES

Accounts payable and accrued expenses	84,045
Due to related party	8,925
Grants payable	<u>1,747,666</u>
Total liabilities	<u>1,840,636</u>

Contingency and other uncertainty (see Note K)

NET ASSETS

Without donor restrictions	3,146,984
With donor restrictions	<u>408,062</u>
Total net assets	<u>3,555,046</u>
Total liabilities and net assets	<u>\$ 5,395,682</u>

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Activities Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions	\$ 1,373,453	\$ 465,000	\$ 1,838,453
Investment income, net	183,048	-	183,048
In-kind contributions	47,000	-	47,000
Net assets released from restrictions	56,938	(56,938)	-
	<u>1,660,439</u>	<u>408,062</u>	<u>2,068,501</u>
Expenses:			
Grants for research	1,930,966	-	1,930,966
Compensation	505,425	-	505,425
Outside services	153,823	-	153,823
Research	49,626	-	49,626
Accounting and administrative services	47,000	-	47,000
Miscellaneous	101,775	-	101,775
	<u>2,788,615</u>	<u>-</u>	<u>2,788,615</u>
Change in net assets	(1,128,176)	408,062	(720,114)
Net assets, beginning of year	<u>4,275,160</u>	<u>-</u>	<u>4,275,160</u>
Net assets, end of year	<u>\$ 3,146,984</u>	<u>\$ 408,062</u>	<u>\$ 3,555,046</u>

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Functional Expenses Year Ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Awareness and Research</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants for research	\$ 1,930,966	\$ -	\$ -	\$ 1,930,966
Compensation	209,300	296,125	-	505,425
Outside Services	121,223	32,600	-	153,823
Research	49,626	-	-	49,626
Accounting and administrative services	-	47,000	-	47,000
Miscellaneous	18,734	44,896	38,145	101,775
	<u>\$ 2,329,849</u>	<u>\$ 420,621</u>	<u>\$ 38,145</u>	<u>\$ 2,788,615</u>

THE FIBROLAMELLAR CANCER FOUNDATION

Statement of Cash Flows Year Ended December 31, 2020

Cash flows from operating activities:

Change in net assets	\$ (720,114)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	783
Unrealized gain on investments	(180,106)
Changes in:	
Other receivables	109,500
Prepaid expenses	33,542
Accounts payable and accrued expenses	(83,753)
Due to/from related party	7,705
Grants payable	<u>1,172,615</u>
Net cash provided by operating activities	<u>340,172</u>
Net change in cash and cash equivalents	340,172
Cash and cash equivalents, beginning of the year	<u>1,496,678</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,836,850</u></u>

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Fibrolamellar Cancer Foundation (the "Foundation") is a not-for-profit organization organized under the laws of the State of Delaware. The Foundation was established to raise awareness and provide research funds for fibrolamellar hepatocellular carcinoma, a rare form of liver cancer that is primarily seen in teens and young adults. Currently, there are no viable treatment options other than liver resection surgery. The Foundation's mission is to find a cure and reliable treatment options for those diagnosed with this rare disease as well as enhance communication among healthcare professionals and patients.

The Foundation devotes all its time to fundraising, grant-making and building collaborative relationships to support these causes. The activities of the Foundation began in June 2009 and are conducted by the Board of Directors and officers of the Foundation.

[2] Basis of presentation:

These financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Net assets without donor restrictions - net assets available for use in general operations and not subject to donor-imposed stipulations.
- Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity by the Foundation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor restricted contributions whose restrictions are met in the same reporting period are reported as revenue without donor restrictions.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulation or by law.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with initial maturity dates of three months or less.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments:

The Foundation accounts for its investments in accordance with relevant authoritative guidance, which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Investments are reflected on the statement of financial position at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in investment income reported in the statement of activities. Fair value is the estimated amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Investments consist of investments in limited partnerships that are non-marketable. The net asset value provided by the partnerships' management is used as a practical expedient measurement of fair value. This method may produce a fair value estimate that may not be indicative of the net realizable value or reflective of future values. Furthermore, although management believes this valuation method is appropriate and consistent with the practices of other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

Investments received as contributions, if any, are initially recorded at fair value at the date of receipt. Realized gains and losses and the change in unrealized gains and losses resulting from changes in fair value are reflected in the investment income reported in the statement of activities.

Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Foundation's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

[6] Equipment:

Equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the equipment of five years. The Foundation capitalizes all equipment with a cost of \$1,000 or greater and expenses all repairs and maintenance as incurred.

[7] Contributions:

Contributions are recognized as in the period when they are received or unconditionally pledged. Contributions of assets other than cash are recorded at fair value at the date of the donation.

Conditional contributions or promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional contributions or promises to give as of December 31, 2020.

[8] Income taxes:

The Internal Revenue Service ("IRS") has determined that the Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from tax on related income pursuant to Section 501(a) of the IRC. The Foundation is classified as a public charity. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability or disclosure in these financial statements. The Foundation recognizes accrued interest and penalties associated with uncertain tax provisions, if any. There were no income tax-related interest and penalties recorded for the year ended December 31, 2020.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Donated services:

Donated services are recognized as revenues and expenses if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

[10] Adoption of new accounting pronouncement:

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers. Accordingly, the Foundation adopted the resource recipient portion for its year ended December 31, 2019 and adopted the resource provider portion for the year ended December 31, 2020. The adoption of ASU 2018-08 did not have a material effect on the financial statements.

[11] Upcoming accounting pronouncements:

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The objective of ASU 2020-07, along with its subsequent amendment, is to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Not-for-profit entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Not-for-profit entities will also be required to disclose various information related to contributed nonfinancial assets. The amendment in this update should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Foundation is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

[12] Subsequent events:

The Foundation evaluated events through October 27, 2021, which was the date the financial statements were available to be issued.

NOTE B - EQUIPMENT

Equipment at December 31, 2020 consists of the following:

Equipment	\$ 3,917
Less: accumulated depreciation	<u>(1,697)</u>
Total	<u>\$ 2,220</u>

Depreciation expense for the year ended December 31, 2020 was \$783.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2020

NOTE C - INVESTMENTS

The Foundation invested \$3,000,000 in limited partnerships that were valued at \$3,556,517 as of December 31, 2020.

Net investment income is reported in the statement of activities and consists of net unrealized gains on investments of \$180,106, and interest and other investment income of \$2,942.

NOTE D - FAIR VALUE MEASUREMENTS

Limited partnership interests measured at net asset value ("NAV") totaled \$3,556,517. The Foundation's investments are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and therefore are not classified in the fair value hierarchy.

Information regarding the nature and risk of certain investments reported at NAV as of December 31, 2020 is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited Partnerships:				
Floating Rate Funds (a)	\$ 2,431,349	\$ -	Monthly	45 Days
Credit Opportunities Fund (b)	1,125,168	-	Quarterly	60 Days

- (a) Floating rate fund invests primarily in senior secured and second lien bank loans and bonds.
- (b) Credit Opportunities Fund investments primarily in corporate credit related assets.

NOTE E - TRANSACTION WITH RELATED PARTIES

Certain directors and officers of the Foundation are officers and employees of Stone Point Capital LLC ("SPC"). Additionally, SPC provides several services at no cost to the Foundation, which includes accounting and communications. The estimated value of these services amounted to \$47,000 which was recorded as both an in-kind contribution and accounting and administrative services expense in the statement of activities. In 2020, the Charles A. and Marna Davis Foundation contributed \$377,500, which represents approximately 20% of total contribution revenue. Together with in-kind contributions provided by SPC, such contributions covered all administrative costs of the Foundation, so that 100% of donations received from others are available to fund program services. As of December 31, 2020, the Foundation had a liability to SPC of \$8,925.

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Notes to Financial Statements December 31, 2020

NOTE F - GRANTS PAYABLE

Grants payable are recognized in the accompanying financial statements at the time of Foundation approval. The Foundation's grants payable at December 31, 2020 are payable as follows:

Less than one year	\$ 1,441,046
One to five years	<u>306,620</u>
Total grants payable	<u>\$ 1,747,666</u>

The amount of the discount to net present value of the grants payable in more than one year was immaterial to these financial statements and therefore have not been recorded. For the year ended December 31, 2020, the Foundation approved \$1,930,965 of new grants, and paid grants of \$758,350.

Conditional grants and promises to give are not recorded as expenses until the condition on which they depend have been met. A grant is deemed to be conditional if it includes one or more measurable barriers and a right of return or forfeiture. As of December 31, 2020, there was \$500,000 of grants conditioned on meeting proof of concept stipulated in the grant agreement.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the period ending December 31, 2020 as follows:

	<u>2020</u>
Purpose restrictions:	
CZI Grant Research	<u>\$ 408,062</u>
Total net assets with donor restrictions	<u>\$ 408,062</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020:

	<u>2020</u>
Satisfaction of purpose restriction:	
CZI Grant Research	<u>\$ 56,938</u>

NOTE H - PROGRAM COSTS

The Foundation sponsors events to help facilitate communication within the fibrolamellar community. Such events included a patients' gathering and doctors' summit. All program events during 2020 were canceled due to COVID-19.

THE FIBROLAMELLAR CANCER FOUNDATION

Notes to Financial Statements December 31, 2020

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 1,836,850
Investments	3,556,517
Other receivables	<u>95</u>
Total financial assets, at year end	<u>\$ 5,393,462</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of short-term requirements.

NOTE J - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Compensation, outside services and miscellaneous expenses are based on actual time or cost associated with the account.

NOTE K - RISK AND UNCERTAINTY

The COVID-19 outbreak continues to be a major global health crisis. Due to the pandemic, the Foundation cancelled its 2020 golf outing, which has been a significant source of fundraising in past years. Given the uncertainty of the spread of the coronavirus and duration of the impact to the financial markets and/or the overall economy, the Foundation's investment results, and fundraising efforts may be materially adversely affected. The Foundation is unable to quantify the potential impact of COVID-19 on its operations at this time.