

The Children's Oncology Group Foundation, Inc.

Financial Statements

December 31, 2023 and 2022

The Children's Oncology Group Foundation, Inc.

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Independent Auditors' Report

To the Board of Directors of
The Children's Oncology Group Foundation, Inc.

Opinion

We have audited the financial statements of The Children's Oncology Group Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 Foundation as of December 31, 2023 and 2022, 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 (GAAP).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 GAAP, 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.

Auditors' 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 auditors' 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 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.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
August 21, 2024

The Children's Oncology Group Foundation, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Assets		
Cash and cash equivalents	\$ 7,497,983	\$ 9,075,016
Restricted cash and cash equivalents	11,236,871	9,287,105
Grants and contributions receivable	3,503,503	5,942,794
Prepaid expenses	301,197	515,309
Fixed assets, net	2,416	-
	<u>22,541,970</u>	<u>24,820,224</u>
Total assets	<u>\$ 22,541,970</u>	<u>\$ 24,820,224</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,895,521	\$ 6,916,457
Deferred revenue	-	15,500
	<u>4,895,521</u>	<u>6,931,957</u>
Total liabilities	<u>4,895,521</u>	<u>6,931,957</u>
Net Assets		
Without donor restrictions	2,967,675	2,658,368
With donor restrictions	14,678,774	15,229,899
	<u>17,646,449</u>	<u>17,888,267</u>
Total net assets	<u>17,646,449</u>	<u>17,888,267</u>
Total liabilities and net assets	<u>\$ 22,541,970</u>	<u>\$ 24,820,224</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Activities

Year Ended December 31, 2023 With Comparative Totals for the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, Gains and Other Support				
Grants	\$ 603,525	\$ 5,646,261	\$ 6,249,786	\$ 8,164,873
Contributions	124,189	47,685	171,874	189,068
Conference revenues	308,600	-	308,600	276,075
Program service revenues	29,950	-	29,950	-
Contributed nonfinancial assets	3,915	7,750	11,665	860
Bank interest	3,421	-	3,421	2,847
Investment income	271,487	-	271,487	73,991
Net assets released from restrictions	6,252,821	(6,252,821)	-	-
	<u>7,597,908</u>	<u>(551,125)</u>	<u>7,046,783</u>	<u>8,707,714</u>
Total revenues, gains and other support				
Expenses				
Program services	7,038,643	-	7,038,643	9,343,012
Supporting services:				
Management and general	217,921	-	217,921	317,914
Fundraising	32,037	-	32,037	15,547
	<u>249,958</u>	<u>-</u>	<u>249,958</u>	<u>333,461</u>
Total supporting services expenses				
	<u>7,288,601</u>	<u>-</u>	<u>7,288,601</u>	<u>9,676,473</u>
Total expenses				
Changes in net assets	309,307	(551,125)	(241,818)	(968,759)
Net Assets, Beginning	<u>2,658,368</u>	<u>15,229,899</u>	<u>17,888,267</u>	<u>18,857,026</u>
Net Assets, Ending	<u>\$ 2,967,675</u>	<u>\$ 14,678,774</u>	<u>\$ 17,646,449</u>	<u>\$ 17,888,267</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Grants	\$ 60,000	\$ 8,104,873	\$ 8,164,873
Contributions	111,584	77,484	189,068
Conference revenues	276,075	-	276,075
Contributed nonfinancial assets	860	-	860
Bank interest	2,847	-	2,847
Investment income	73,991	-	73,991
Net assets released from restrictions	9,195,936	(9,195,936)	-
	<u>9,721,293</u>	<u>(1,013,579)</u>	<u>8,707,714</u>
Total revenues, gains and other support			
Expenses			
Program services	9,343,012	-	9,343,012
Supporting services:			
Management and general	317,914	-	317,914
Fundraising	15,547	-	15,547
	<u>333,461</u>	<u>-</u>	<u>333,461</u>
Total supporting services expenses			
	<u>333,461</u>	<u>-</u>	<u>333,461</u>
Total expenses	9,676,473	-	9,676,473
	<u>9,676,473</u>	<u>-</u>	<u>9,676,473</u>
Changes in net assets	44,820	(1,013,579)	(968,759)
Net Assets, Beginning	<u>2,613,548</u>	<u>16,243,478</u>	<u>18,857,026</u>
Net Assets, Ending	<u>\$ 2,658,368</u>	<u>\$ 15,229,899</u>	<u>\$ 17,888,267</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Functional Expenses

Years Ended December 31, 2023 and 2022

	2023						
	COG Site Support	Program Capacity	Other COG Research	Total Programs	Management and General	Fundraising	Total
Grant expense	\$ 4,555,391	\$ -	\$ 1,664,955	\$ 6,220,346	\$ -	\$ -	\$ 6,220,346
Research expense	-	-	315,366	315,366	-	-	315,366
Professional fees	-	183,999	-	183,999	369,192	-	553,191
Conference	-	114,187	-	114,187	-	-	114,187
Other expenses	-	35,819	-	35,819	25,658	14,975	76,452
Insurance	-	-	-	-	8,130	-	8,130
Depreciation	-	-	-	-	929	-	929
Indirect cost allocation	34,008	101,545	33,373	168,926	(185,988)	17,062	-
	<u>\$ 4,589,399</u>	<u>\$ 435,550</u>	<u>\$ 2,013,694</u>	<u>\$ 7,038,643</u>	<u>\$ 217,921</u>	<u>\$ 32,037</u>	<u>\$ 7,288,601</u>
	2022						
	COG Site Support	Program Capacity	Other COG Research	Total Programs	Management and General	Fundraising	Total
Grant expense	\$ 6,130,050	\$ -	\$ 2,142,979	\$ 8,273,029	\$ -	\$ -	\$ 8,273,029
Research expense	-	-	849,930	849,930	-	-	849,930
Professional fees	-	63,287	-	63,287	439,703	-	502,990
Conference	-	22,840	-	22,840	-	-	22,840
Other expenses	-	30	-	30	16,444	3,240	19,714
Insurance	-	-	-	-	7,970	-	7,970
Indirect cost allocation	43,063	64,207	26,626	133,896	(146,203)	12,307	-
	<u>\$ 6,173,113</u>	<u>\$ 150,364</u>	<u>\$ 3,019,535</u>	<u>\$ 9,343,012</u>	<u>\$ 317,914</u>	<u>\$ 15,547</u>	<u>\$ 9,676,473</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (241,818)	\$ (968,759)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	929	-
Changes in assets and liabilities:		
Grants and contributions receivable	2,439,291	(1,882,824)
Prepaid expenses	214,112	279,430
Accounts payable and accrued expenses	(2,020,936)	2,970,560
Deferred revenue	(15,500)	(18,750)
	<u>376,078</u>	<u>379,657</u>
Net cash provided by operating activities		
	<u>376,078</u>	<u>379,657</u>
Cash Flows From Investing Activities		
Purchase of equipment	(3,345)	-
	<u>(3,345)</u>	<u>-</u>
Net cash used in investing activities		
	<u>(3,345)</u>	<u>-</u>
Net increase in cash and cash equivalents	372,733	379,657
Cash and Cash Equivalents, Beginning	<u>18,362,121</u>	<u>17,982,464</u>
Cash and Cash Equivalents, Ending	<u>\$ 18,734,854</u>	<u>\$ 18,362,121</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 7,497,983	\$ 9,075,016
Restricted cash and cash equivalents	<u>11,236,871</u>	<u>9,287,105</u>
Total cash and cash equivalents	<u>\$ 18,734,854</u>	<u>\$ 18,362,121</u>

See notes to financial statements

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

1. Nature of Operations

The Children's Oncology Group Foundation, Inc. (the Foundation) is a not-for-profit organization incorporated in the Commonwealth of Pennsylvania in August 2011. The Foundation was formed to support the Children's Oncology Group (COG), an unincorporated entity, which is the world's largest organization devoted exclusively to childhood and adolescent cancer research. The Foundation enables COG's leadership, comprised of a team of doctors, nurses, laboratory scientists and other allied professionals, to direct the resources raised for childhood cancer research to the areas of highest need and opportunity. The board of the Foundation is comprised of members of the executive committee of COG. The Foundation allows philanthropic funds from individual supporters and organizations to go directly to COG and other organizations to fund their much-needed research. In an era of rapid scientific discovery, this direct link allows COG researchers to respond quickly to new discoveries with great potential to benefit children with cancer. The Foundation disperses grant expense funds directly to COG member sites.

In December 2023, the Foundation formed Zanadu Children's Oncology Solutions, LLC (the Company) as a single member limited liability company. The Company will serve as a subsidiary of the Foundation with the purpose of executing contracts with third parties on behalf of COG. The Company did not have any operating activity through December 31, 2023.

2. Summary of Significant Accounting Policies

Basis of Financial Reporting

The Foundation follows the authoritative guidance for external financial reporting by not-for-profit organizations and requires that unconditional promises to give (contributions) be recorded as a receivable and revenue and requires the Foundation to distinguish between contributions received for each net asset classification in accordance with donor-imposed restrictions. The authoritative guidance also establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset classifications according to externally (donor) imposed restrictions.

A description of the net asset classifications follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and these net assets may be designated for specific purposes by action of the Board of Directors. There are no designations on net assets without donor restrictions as of December 31, 2023 and 2022. Net assets without donor restrictions are available for the support of operations and whose use is not externally restricted.

Net Assets With Donor Restrictions - Net assets whose use by the Foundation is subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions. Additionally, funds received as gifts and bequests, which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity, are reported as net assets with donor restrictions. The Foundation does not have any net asset balances with the donor stipulation that the principal be maintained intact in perpetuity as of December 31, 2023 and 2022.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Revenue Recognition

Grants and Contributions

Grants or contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. All grants and contributions are considered to be without donor restrictions unless specifically restricted by the donor. Grants and contributions restricted by the donor for specific purposes are reported as with donor restrictions, which increase those net asset classifications. When a donor restriction expires, that is, a time restriction ends or a stipulated purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions.

Grants and contributions, including unconditional promises to give, that are expected to be received within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their expected future cash flows, which approximates fair value. All grants and contributions receivable as of December 31, 2023 and 2022 are expected to be collected within one year; therefore no discount rate in determination of the present value of this balance is necessary.

Conference and Program Service Revenues

Revenues from conferences and program services are recognized at the time or over the period of time of the conference or program. Conference revenues that have been collected, but for which the conference has not been held as of the year-end, and program service revenues collected related to an exchange agreement for which the related services have not yet been performed, are considered not yet earned and included in deferred revenue in the statements of financial position. The Foundation reported deferred revenue balances related to program service of \$0 and \$15,500 as of December 31, 2023 and 2022, respectively.

Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated goods and services that are recognized as revenues and expenses based on the estimated fair value of the goods or services as of the date provided. The Foundation received \$3,915 and \$860 in contributed legal services in the years ended December 31, 2023 and 2022, respectively. In addition, the Foundation received \$7,750 and \$0 for newsletter costs in the years ended December 31, 2023 and 2022, respectively.

The contributed legal services received were to help support the Foundation's regular operations and did not have any donor restrictions associated with them. The contributed newsletter costs did have donor restrictions associated with them. The Foundation signed an agreement with a strategic partner to produce a quarterly newsletter.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents includes interest-bearing deposits with original maturities of three months or less, including money market funds and certificates of deposit.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consists of interest-bearing deposits with original maturities of three months or less held by the Foundation that is purpose restricted for future use by donor stipulations.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the program and supporting services benefitted based on an estimate of personnel time and effort.

Income Tax

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is exempt from income tax.

The Foundation accounts for uncertainty in income taxes recognized in the financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after filed.

Subsequent Events

Subsequent events were evaluated for recognition or disclosure through August 21, 2024, the date the financial statements were available to be issued.

Accounting Standards Adopted in the Current Year

During 2023, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 (as amended) requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The adoption of ASU No. 2016-13 on January 1, 2023 did not impact the financial reporting of the Foundation.

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,497,983	\$ 9,075,016
Restricted cash and cash equivalents	11,236,871	9,287,105
Grants and contributions receivable without donor restrictions	61,600	-
Grants and contributions receivable with donor restrictions expected to be collected and the donor-purpose restrictions met within one year	<u>3,441,903</u>	<u>5,942,794</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,238,357</u>	<u>\$ 24,304,915</u>

The Foundation's primary sources of revenue are grants and contributions from private foundations and the general public. Most of the support is required to be used in accordance with the purpose restrictions imposed by the donors. The majority of the support is received in advance of when the expenditures are incurred in accordance with the associated purpose restriction. Therefore, the Foundation classifies these funds in restricted cash and cash equivalents until expenditures are incurred and these funds can be made available within one year of the statements of financial position date when eligible costs are incurred. The Foundation's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022 are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Pediatric Cancer Research Supplemental Programs	\$ 1,936,390	\$ 2,416,500
Project: EveryChild	3,486,174	3,905,516
Infrastructure Projects	111,759	151,218
Long-Term Follow-Up Center	70,773	140,000
COG Reference Laboratories	21,848	150,000
Leukemia Research	1,548,984	1,211,844
Bone Tumor Research	50,300	40,300
Acute Myeloid Leukemia Research	153,363	308,780
Lymphoma Research	55,000	5,000
Nursing Discipline	106,723	114,630
Adolescent and Young Adult Research	230,948	151,172
General Cancer Research	32,858	41,591
Other Research Support	6,042,717	6,069,656
Central Nervous System Tumor Research	1,533	1,523
Neuroblastoma Research	546,656	246,656
Renal Tumor Research	84,992	69,992
Soft Tissue Sarcoma Research	23,122	20,661
Hepatoblastoma Research	47,814	109,860
COG Newsletter	25,570	-
Pediatric MATCH	<u>101,250</u>	<u>75,000</u>
Total	<u>\$ 14,678,774</u>	<u>\$ 15,229,899</u>

The Children's Oncology Group Foundation, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

5. Net Assets Released From Restrictions

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Pediatric Cancer Research Supplemental Programs	\$ 2,416,500	\$ 3,922,200
Project: EveryChild	1,722,415	2,212,044
Infrastructure Projects	54,459	214,336
Long-Term Follow-Up Center	140,000	137,629
Cog Reference Laboratories	150,000	315,807
Leukemia Research	226,375	374,354
Bone Tumor Research	-	50,000
Acute Myeloid Leukemia Research	305,799	519,392
Nursing Discipline	7,907	395
Adolescent and Young Adult Research	151,172	100,000
General Cancer Research	41,591	41,615
Other Research Support	906,082	746,272
Neuroblastoma Research	-	380,019
Soft Tissue Sarcoma Research	20,661	54,500
Hepatoblastoma Research	109,860	127,373
	<u>109,860</u>	<u>127,373</u>
Total	<u>\$ 6,252,821</u>	<u>\$ 9,195,936</u>

6. Concentrations of Risk

Approximately 79% of revenues were from three organizations for the years ended December 31, 2023 and 2022. Approximately 96% and 99.4% of the grants receivable balance for December 31, 2023 and 2022, respectively, was due from one organization.

The Foundation's grants receivable are unsecured and are at risk to the extent such amounts become uncollectible. Management carefully monitors its contributor and grantor relationships in order to minimize credit risk. All grants receivable are considered fully collectible and accordingly, no allowance for uncollectible accounts has been recorded at December 31, 2023 and 2022.

The Foundation maintains its operating cash accounts with two banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC). At various times during the year, the Foundation has balances in excess of FDIC insured limits. The Foundation has not experienced any losses on such accounts.

7. Commitments

In 2021, the Foundation entered into an agreement with the Children's Oncology Group's fiscal agent to pay up to \$1,500,000 within 30 days of receiving notice as reserve for hotel contracts to secure COG group meeting locations for future dates in Fall 2024 and Fall 2025. The Foundation only needs to provide payment to the fiscal agent upon request.