

COLORECTAL CANCER ALLIANCE, INC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, Virginia

COLORECTAL CANCER ALLIANCE, INC.

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Dunham, Aukamp & Rhodes, PLC
Certified Public Accountants

4437 Brookfield Corporate Dr., Suite 205-D
Chantilly, VA 20151

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Colorectal Cancer Alliance, Inc.

Opinion

We have audited the accompanying financial statements of Colorectal Cancer Alliance, 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 Colorectal Cancer Alliance, 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 audit 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 Colorectal Cancer Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Colorectal Cancer Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, 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.

- 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 Colorectal Cancer Alliance, Inc.'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 Colorectal Cancer Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

Dunkley, Kays & Rhodes, PC
Certified Public Accountants
Chantilly, Virginia

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COLORECTAL CANCER ALLIANCE, INC

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 and 2020

	ASSETS	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 638,706	\$ 1,478,294
Investments	3,535,229	4,366,071
Contributions receivable, current	2,862,260	1,942,013
Other receivables	5,366	31,679
Prepaid expenses	48,706	69,904
Total Current Assets	<u>7,090,267</u>	<u>7,887,961</u>
Property and Equipment, Net	<u>576,803</u>	<u>726,244</u>
Other Assets		
Contributions receivable, long-term, net	3,545,983	1,246,175
Security deposit	73,822	73,822
Total Other Assets	<u>3,619,805</u>	<u>1,319,997</u>
Total Assets	<u>\$ 11,286,875</u>	<u>\$ 9,934,202</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 87,173	\$ 374,227
Line of credit	-	1,257,684
Accrued expenses	295,578	205,550
Deferred rent	595,100	693,604
Pledges payable, current	-	157,000
Deferred revenue	10,755	17,877
Capital leases payable, current	30,216	30,216
Total Current Liabilities	<u>1,018,822</u>	<u>2,736,158</u>
Long-Term Liabilities		
Capital leases payable, long-term	4,549	34,762
Total Long-Term Liabilities	<u>4,549</u>	<u>34,762</u>
Total Liabilities	<u>1,023,371</u>	<u>2,770,920</u>
Net Assets		
Net assets without donor restrictions	3,261,301	3,662,838
Net assets with donor restrictions	7,002,203	3,500,444
Total Net Assets	<u>10,263,504</u>	<u>7,163,282</u>
Total Liabilities and Net Assets	<u>\$ 11,286,875</u>	<u>\$ 9,934,202</u>

See accompanying notes to the financial statements.

COLORECTAL CANCER ALLIANCE, 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
REVENUES AND SUPPORT						
Grants and contributions	\$ 7,108,258	\$ 7,874,834	\$14,983,092	\$ 6,413,432	\$ 2,773,413	\$ 9,186,845
Investment income	677,045	-	677,045	431,162	-	431,162
Merchandise income	69,986	-	69,986	128,445	-	128,445
Miscellaneous income	49,655	-	49,655	61,919	-	61,919
Released from restrictions	4,373,075	(4,373,075)	-	2,882,602	(2,882,602)	-
Total Revenues and Support	<u>12,278,019</u>	<u>3,501,759</u>	<u>15,779,778</u>	<u>9,917,560</u>	<u>(109,189)</u>	<u>9,808,371</u>
EXPENSES						
Program services						
Prevention	3,932,096	-	3,932,096	3,287,745	-	3,287,745
Patient support	3,534,990	-	3,534,990	1,308,908	-	1,308,908
Community outreach & advocacy	1,893,360	-	1,893,360	1,354,468	-	1,354,468
Research	1,059,299	-	1,059,299	989,262	-	989,262
Total program services	<u>10,419,745</u>	<u>-</u>	<u>10,419,745</u>	<u>6,940,383</u>	<u>-</u>	<u>6,940,383</u>
Fundraising	2,103,902	-	2,103,902	1,509,041	-	1,509,041
Management and general	891,209	-	891,209	1,051,091	-	1,051,091
Total Expenses	<u>13,414,856</u>	<u>-</u>	<u>13,414,856</u>	<u>9,500,515</u>	<u>-</u>	<u>9,500,515</u>
INCOME FROM OPERATIONS	(1,136,837)	3,501,759	2,364,922	417,045	(109,189)	307,856
CARES ACT Paycheck Protection Program loan forgiveness	<u>735,300</u>	<u>-</u>	<u>735,300</u>	<u>734,100</u>	<u>-</u>	<u>734,100</u>
CHANGE IN NET ASSETS	(401,537)	3,501,759	3,100,222	1,151,145	(109,189)	1,041,956
NET ASSETS, BEGINNING	<u>3,662,838</u>	<u>3,500,444</u>	<u>7,163,282</u>	<u>2,511,693</u>	<u>3,609,633</u>	<u>6,121,326</u>
NET ASSETS, ENDING	<u>\$ 3,261,301</u>	<u>\$ 7,002,203</u>	<u>\$10,263,504</u>	<u>\$ 3,662,838</u>	<u>\$ 3,500,444</u>	<u>\$ 7,163,282</u>

See accompanying notes to the financial statements.

COLORECTAL CANCER ALLIANCE, 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		
Change in net assets	\$ 3,100,222	\$ 1,041,956
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	149,441	159,652
Net realized and unrealized gain on investments	(655,926)	(397,847)
Changes in operating assets and liabilities:		
Increase in contributions receivable	(3,220,055)	(383,993)
Decrease in prepaid expenses	21,198	129,780
Decrease in other receivables	26,313	23,700
Decrease in accounts payable	(287,054)	(262)
Increase (Decrease) in accrued expenses	90,028	(447,811)
Decrease in deferred rent	(98,504)	(25,416)
Decrease in pledges payable	(157,000)	(185,000)
Decrease in deferred revenue	(7,122)	(52,311)
Net cash used in operating activities	<u>(1,038,459)</u>	<u>(137,552)</u>
 Cash Flows From Financing Activities		
Net draw on line of credit	(1,257,684)	502,821
Principal payments on notes payable	<u>(30,213)</u>	<u>(30,212)</u>
Net cash (used in) provided by financing activities	<u>(1,287,897)</u>	<u>472,609</u>
 Cash Flows From Investing Activities		
Proceeds from sales of investments	2,975,858	4,578,759
Purchases of investments	<u>(1,489,090)</u>	<u>(4,433,989)</u>
Net cash provided by investing activities	<u>1,486,768</u>	<u>144,770</u>
 Change in cash and cash equivalents	(839,588)	479,827
 Cash and cash equivalents, beginning of period	<u>1,478,294</u>	<u>998,467</u>
 Cash and cash equivalents, end of period	<u>\$ 638,706</u>	<u>\$ 1,478,294</u>
 Supplemental Information		
Total cash paid for interest	<u>\$ 19,867</u>	<u>\$ 39,130</u>

See accompanying notes to the financial statements.

COLORECTAL CANCER ALLIANCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

2021									
	Program Services					Support Services			
	Prevention	Patient Support	Community Outreach & Advocacy	Research	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Expenses									
Personnel	\$1,537,209	\$1,015,751	\$1,000,519	\$ 306,624	\$ 3,860,103	\$1,259,707	\$ 411,202	\$1,670,909	\$ 5,531,012
Projects	803,764	289,521	322,614	545,672	1,961,571	423,367	20,401	443,768	2,405,339
Professional fees	1,150,156	457,813	109,899	135,811	1,853,679	26,185	299,499	325,684	2,179,363
Facilities	323,537	191,182	193,108	56,331	764,158	242,786	65,021	307,807	1,071,965
Operations	103,257	1,576,658	256,585	13,034	1,949,534	137,181	84,547	221,728	2,171,262
Travel	14,173	4,065	10,635	1,827	30,700	14,676	10,539	25,215	55,915
Total Expenses	<u>\$3,932,096</u>	<u>\$3,534,990</u>	<u>\$1,893,360</u>	<u>\$1,059,299</u>	<u>\$10,419,745</u>	<u>\$2,103,902</u>	<u>\$ 891,209</u>	<u>\$2,995,111</u>	<u>\$13,414,856</u>
2020									
	Program Services					Support Services			
	Prevention	Patient Support	Community Outreach & Advocacy	Research	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Expenses									
Personnel	\$1,256,738	\$ 816,190	\$ 705,445	\$ 340,351	\$ 3,118,724	\$ 594,699	\$ 343,189	\$ 937,888	\$ 4,056,612
Projects	639,776	245,211	176,772	467,631	1,529,390	336,579	25,804	362,383	1,891,773
Professional fees	767,198	18,850	116,489	69,000	971,537	188,366	367,945	556,311	1,527,848
Facilities	203,889	179,601	166,932	72,910	623,332	215,631	73,518	289,149	912,481
Operations	405,144	38,644	179,233	35,063	658,084	125,167	232,504	357,671	1,015,755
Travel	15,000	10,412	9,597	4,307	39,316	48,599	8,131	56,730	96,046
Total Expenses	<u>\$3,287,745</u>	<u>\$1,308,908</u>	<u>\$1,354,468</u>	<u>\$ 989,262</u>	<u>\$ 6,940,383</u>	<u>\$1,509,041</u>	<u>\$ 1,051,091</u>	<u>\$2,560,132</u>	<u>\$ 9,500,515</u>

See accompanying notes to the financial statements.

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Significant Accounting Policies

Colorectal Cancer Alliance, Inc. (“the Alliance”) was incorporated on March 18, 1999 as a 501(c)(3) exempt corporation under the laws of the state of Delaware. The Alliance is a national patient advocacy organization dedicated to increasing rates of screening and survivorship from colorectal cancer through patient support, education, research, and advocacy. Revenues consist principally of grants and contributions.

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

Basis of Accounting

The Alliance maintains its accounting records and prepares its financial statements on the accrual basis of accounting, which reflects revenue when earned and expenses when incurred.

Basis of Presentation

The accompanying financial statements were prepared in accordance with the provisions of the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This pronouncement requires not-for-profit Organizations to report information regarding their financial position and activities according into two classes of net assets as follows:

- *Without Donor Restrictions* – represents resources which have met applicable award restrictions and/or resources generated by sources other than from the award.

- *With Donor Restrictions* – represents resources recognized as restricted support until such a time when all associated restrictions have been met or contains a stipulation that permanently restricted the use of such funds but allows earnings from the funds to be used in a certain manner prescribed by the donor.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Alliance considers all highly liquid instruments purchased with an original maturity date of three months or less to be cash and cash equivalents.

Investments

Investments are measured at fair value in the statement of financial position. Investment income or loss (gains and losses on investments, interest and dividends, net of investment fees) is included in the statement of revenues, expenses and changes in net assets unless the income or loss is restricted by donor or law.

Other Receivables

Other receivables consist primarily of amounts to be received from sales of merchandise and inflatable walk-through colons. The entire amount of other receivables is expected to be collected within one year and is recorded at net realizable value as of December 31, 2021 and 2020. Accordingly, allowance for doubtful accounts has been established.

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Contributions, including unconditional promises to give, are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. In addition, management evaluates payment history and market conditions to estimate allowances for doubtful pledges. Change in the fair value of pledges receivable are reported in the statement of activities as contribution revenue, except for changes in the allowance which are reported as program expenses at each subsequent reporting date. As of December 31, 2021, and 2020, management believes all receivables to be collectible. Accordingly, no allowance for doubtful accounts has been established. For the years ended December 31, 2021 and 2020 uncollectible pledges in the amount of \$48,500 and \$168,696 were written off, respectively.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation for all assets with an initial cost exceeding \$5,000. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives, which range from three to seven years. Upon the retirement or disposal of assets, the costs and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the revenue or expenses. Expenditures for maintenance and repairs are charged against income as incurred; betterments that increase the value or materially extend the life of the related assets are capitalized.

Income Tax Status

The Alliance is exempt under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding state provisions and from excise taxes as an Organization that is not a private foundation as defined in Section 509(a) thereof. No provision for federal or state income taxes has been included in the financial statements. For the years ended December 31, 2021 and 2020, there was no unrelated business income, accordingly, no federal or state income taxes have been recorded.

Uncertain Tax Positions

As of December 31, 2021, the Alliance has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended December 31, 2018 through 2020.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Alliance to concentration of credit and market risk consist of cash equivalents and investments. Cash equivalents and investments are maintained at various high-quality financial institutions. The Alliance maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. The Alliance has not experienced any losses on its cash and equivalents or on its investments to date. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal. The Alliance's investments do not represent significant concentration of market risk inasmuch as the investment portfolio is adequately diversified.

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor or grantor restrictions that limit the use of donated assets. When a donor restriction expires, that is, when a 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.

The Alliance receives donations in the form of free advertising and similar services that would otherwise be purchased in the normal course of business. Total in-kind donations were \$1,811,723 and \$352,213, for the years ended December 31, 2021 and 2020, respectively, and were valued based on comparable market rates. This amount is reflected in grants and contributions in the accompanying statements of activities.

Merchandise sales consist of sales of various products offered on the Alliance's website aimed at promoting and spreading awareness for colon cancer, as well as sales of inflatable walk-through colons, meant to be an educational tool featuring the various stages of disease.

Revenue from all other sources is recognized when earned.

Recently Issued Accounting Standards

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Alliance is currently evaluating the impact of their pending adoption of the new standard on its financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassifications

Certain items from the prior year have been reclassified to conform with the current year presentation.

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Investments and Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Management*, the Alliance has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Alliance has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

- *Money market funds* – The fair value is equal to the reported net asset value of the fund.
- *Mutual funds and equities* – the fair value of available for sale securities is the market value based on quoted market prices, when available, or market prices provided by the recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Investment income for the years ended December 31, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 66,895	\$ 60,753
Net realized and unrealized gain	655,926	397,847
Investment fees	(45,776)	(27,438)
Total	<u>\$677,045</u>	<u>\$431,162</u>

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Investments and Fair Value Measurements (Concluded)

The following table presents the Alliance’s fair value hierarchy for those assets measured on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks, options, EFTs	\$3,309,361	\$ -	\$ -	\$3,309,361
Mutual funds	157,488	-	-	157,488
Money market funds	43,380	-	-	43,380
Other	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$3,535,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,535,229</u>

The following table presents the Alliance’s fair value hierarchy for those assets measured on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks, options, EFTs	\$2,864,687	\$ -	\$ -	\$2,864,687
Money market funds	773,955	-	-	773,955
Mutual funds	702,429	-	-	702,429
Other	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$4,366,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,366,071</u>

NOTE 3 – Contributions Receivable

Unconditional promises to give are estimated to be collected as follows:

	<u>2021</u>	<u>2020</u>
Expected to be collected in:		
Less than one year	\$2,862,260	\$1,942,013
One to five years	<u>3,643,262</u>	<u>1,315,616</u>
Subtotal	6,505,522	3,257,629
Less: Discount of 3.25%	<u>(97,279)</u>	<u>(69,441)</u>
	<u>\$6,408,243</u>	<u>\$3,188,188</u>
 Promises to give, current	 \$2,862,260	 \$1,942,013
Promises to give, long-term, net	<u>3,545,983</u>	<u>1,246,175</u>
	<u>\$6,408,243</u>	<u>\$3,188,188</u>

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and 2020:

<u>2021</u>		<u>Depreciation</u>	<u>Accumulated</u>
	<u>Cost</u>	<u>Expense</u>	<u>Depreciation</u>
Leasehold improvements	\$ 735,241	\$ 71,152	\$249,033
Furniture and equipment	<u>472,550</u>	<u>78,289</u>	<u>381,955</u>
Total	<u>\$1,207,791</u>	<u>\$149,441</u>	<u>\$630,988</u>

<u>2020</u>		<u>Depreciation</u>	<u>Accumulated</u>
	<u>Cost</u>	<u>Expense</u>	<u>Depreciation</u>
Leasehold improvements	\$ 735,241	\$ 71,152	\$177,881
Furniture and equipment	<u>472,550</u>	<u>88,500</u>	<u>303,666</u>
Total	<u>\$1,207,791</u>	<u>\$159,652</u>	<u>\$481,547</u>

NOTE 5 – Line of Credit

The Alliance has a liquidity line of credit secured by investments held at the brokerage firm. Interest is charged monthly at a variable rate, which was approximately 5.00% at December 31, 2021. Interest is payable monthly. Interest expense paid on the line of credit for the years ended December 31, 2021 and 2020, was \$19,867 and \$39,130, respectively. The balance outstanding on the line as of December 31, 2021 and 2020 was \$0- and \$1,257,684, respectively.

NOTE 6 – Obligations Under Capital Leases

The Company leases equipment under two separate 48-month capital leases through which expire on various dates in 2023. The asset and liability under the capital lease is recorded at the lower of the present values of the minimum lease payments or the fair market values of the asset. The asset is included in property and equipment and is depreciated over its estimated useful life. Equipment under capital lease has a cost of \$120,849, accumulated depreciation of \$74,523 and a net book value of \$46,326.

Future minimum lease commitments under the capital lease agreements are as follows:

For the years ending December 31,	
2022	\$30,216
2023	<u>4,549</u>
Total minimum lease payments	<u>\$34,765</u>

NOTE 7 – Pension Plan

The Alliance maintains an IRC Section 401(k) retirement plan, which covers substantially all employees. The Alliance may elect to match employees' contributions for all persons who have completed at least 1,000 hours of service during the Plan year. Pension contributions for the years ended December 31, 2021 and 2020 were \$72,912 and \$60,336, respectively. All contributions are immediately vested.

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Lease Commitments

The Alliance signed a lease agreement for office space effective December 1, 2015, extending the term through 2023. The Alliance amended the current lease to expand and take over the square footage of the floor through October 2029. The lease includes a provision whereby several months of rent was abated. The difference between the calculated rent expense and the rents paid has been included in the statement of financial position as deferred rent. Additionally, the Alliance operates under various storage, small equipment, and similar leases, all of which expire on various dates through October 2020. Rent expense for the year ended December 31, 2021 and 2020 was \$398,106 and \$397,774, respectively.

Future minimum lease payments for the office lease are as follows as of December 31, 2021:

2022	\$ 609,654
2023	618,796
2024	603,758
2025	618,851
2026	634,276
Thereafter	<u>1,721,021</u>
Total	<u>\$4,806,356</u>

NOTE 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor-imposed restrictions that expire upon the passage of time or purpose restrictions. Assets are released from restriction and reclassified to net assets without restrictions as the Alliance fulfills the donor stipulation or upon passage of time.

As of December 31, 2021, and 2020, net assets with restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Patient Support	\$4,105,372	\$1,509,273
Fundraising	2,424,509	1,231,171
Rebranding	330,000	485,000
Prevention	<u>142,322</u>	<u>275,000</u>
Total Net Assets with Donor Restrictions	<u>\$7,002,203</u>	<u>\$3,500,444</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose or time restrictions specified by donors as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Patient Support	\$2,939,059	\$1,657,092
Rebranding	755,000	15,000
Fundraising	476,057	137,602
Prevention	202,959	996,530
Research	<u>-</u>	<u>76,378</u>
Total Net Assets Released	<u>\$4,373,075</u>	<u>\$2,882,602</u>

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – CARES Act Paycheck Protection Program Loan Forgiveness

In March 2021, the Alliance received a CARES Act Paycheck Protection Program (PPP) Loan of \$735,300. Based on certain performance requirements under the PPP issued as part of the CARES Act, the Alliance was eligible for the loan to be forgiven. Although loan forgiveness has been requested but not yet been granted, the Alliance believes all funds were properly spent under the grant guidelines and full forgiveness is expected. Accordingly, \$735,300 has been recorded as revenue as of December 31, 2021.

In May 2020, the Alliance received a CARES Act Paycheck Protection Program (PPP) Loan of \$734,100. Based on certain performance requirements under the PPP issued as part of the CARES Act, the Alliance was eligible for the loan to be forgiven. Although loan forgiveness had been requested but not yet been granted as of December 31, 2020, the Alliance believed all funds were properly spent under the grant guidelines and full forgiveness was expected. Accordingly, \$734,100 has been recorded as revenue as of December 31, 2020. The Alliance received notice of forgiveness on the PPP loan on December 10, 2021.

NOTE 11 – Functional Allocation of Expenses

The costs of providing various programs and other activities have been allocated between program, management and general expenses based on direct identification when possible, and allocation when an expenditure benefits more than one program or function. Expenses that require allocation are allocated based on a personnel-cost or square-footage basis.

NOTE 12 – Liquidity and Availability of Financial Assets

The Alliance has \$3,585,341 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The Alliance monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Alliance has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$2,900,000. The Alliance has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses without limitations:

Pledges receivable	\$ 6,408,243
Investments	3,535,229
Cash and cash equivalents	638,706
Other receivables	<u>5,366</u>
Total	<u>\$10,587,544</u>
Less amounts not available to be used within one year:	
Restricted by donors for time and purpose	<u>\$ 7,002,203</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,585,341</u>

COLORECTAL CANCER ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact the Alliance's grants, contributions and event income. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 14 – Subsequent Events

The Alliance has evaluated subsequent events through May 31, 2022, the date which the financial statements were available to be issued.

On April 15, 2022 the Alliance received notice of forgiveness on the second PPP loan in the amount of \$735,300.