BEAR NECESSITIES PEDIATRIC CANCER FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

BEAR NECESSITIES
PEDIATRIC CANCER FOUNDATION, INC.

YEAR ENDED JUNE 30, 2021

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Independent Auditors' Report

Board of Directors
Bear Necessities Pediatric Cancer Foundation, Inc.

We have audited the accompanying financial statements of Bear Necessities Pediatric Cancer Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2021, 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.

Auditors' 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 entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear Necessities Pediatric Cancer Foundation, Inc. as of June 30, 2021, 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.

Ostrow Reisin Berk & Abrams, Ltd.

October 1, 2021

BEAR NECESSITIES
PEDIATRIC CANCER FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021		
ASSETS		
Cash	$	679,293
Investments		579,420
Inventory		21,825
Prepaid expenses		1,922
Property and equipment, net		1,006,005
Total assets	$	2,288,465
LIABILITIES AND NET ASSETS		
Liabilities:		
Mortgage payable	$	330,856
Loan payable - Payroll Protection Program		112,920
Accounts payable and accrued expenses		21,918
Contract liabilities		32,125
Total liabilities		497,819
Net assets:		
Without donor restrictions:		
Undesignated		1,221,121
Board-designated		525,000
Total net assets without donor restrictions		1,746,121
With donor restrictions		44,525
Total net assets		1,790,646
Total liabilities and net assets	$	2,288,465

See notes to financial statements.

BEAR NECESSITIES
PEDIATRIC CANCER FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2021	Without donor restrictions	With donor restrictions	Total
Revenue:			
Contributions	$ 854,770		$ 854,770
In-kind contributions	596		596
Special events and other fundraisers:			
Gross revenue, including in-kind contributions of $10,908	338,070		338,070
Less direct benefit to donors, including in-kind goods of $10,908	(83,610)		(83,610)
Merchandise	79		79
Net investment return	69,124		69,124
Forgiveness of debt - PPP loan	113,000		113,000
Total revenue	1,292,029		1,292,029
Expenses:			
Program services	584,065		584,065
Management and general	137,886		137,886
Fundraising	358,496		358,496
Total expenses	1,080,447		1,080,447
Change in net assets	211,582		211,582
Net assets:			
Beginning of year	1,534,539	$ 44,525	1,579,064
End of year	$ 1,746,121	$ 44,525	$ 1,790,646

See notes to financial statements.

BEAR NECESSITIES
PEDIATRIC CANCER FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021	Program services	Management and general	Fundraising	Direct benefit to donors	Total expenses
Direct costs of Bear Hugs experiences	$ 306,739				$ 306,739
Event expenses			$ 5,282	$ 83,610	88,892
Occupancy expenses	45,271	$ 22,636	57,846		125,753
Office expenses	5,486	2,743	7,049		15,278
Outside services	66,505	33,252	84,978		184,735
Salaries and related expenses	160,064	79,255	203,341		442,660
	584,065	137,886	358,496	83,610	1,164,057
Less expenses included with revenue on the statement of activities				(83,610)	(83,610)
Total expenses	$ 584,065	$ 137,886	$ 358,496	$ -	$ 1,080,447

See notes to financial statements.

BEAR NECESSITIES
PEDIATRIC CANCER FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year ended June 30, 2021	
Cash flows from operating activities:	
Change in net assets	$ 211,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	39,967
Forgiveness of debt - PPP loan	(113,000)
Net realized and unrealized gain on investments	(57,909)
(Increase) decrease in operating assets:	
Contributions receivable	500
Inventory	5
Prepaid expenses	(1,922)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(17,166)
Contract liabilities	27,025
Net cash provided by operating activities	89,082
Cash flows from investing activities:	
Purchases of investments	(163,569)
Proceeds from sale of investments	161,601
Net cash used in investing activities	(1,968)

See notes to financial statements.

BEAR NECESSITIES
PEDIATRIC CANCER FOUNDATION, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2021		
Cash flows from financing activities:		
Proceeds from loan payable - Payroll Protection Program	$	112,920
Payments on mortgage payable		(56,718)
Net cash provided by financing activities		56,202
Net increase in cash		143,316
Cash, beginning of year		535,977
Cash, end of year	$	679,293
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$	15,576

See notes to financial statements.

1. Foundation and purpose

Bear Necessities Pediatric Cancer Foundation, Inc. (the Foundation) is an Illinois nonprofit foundation, with the purpose of granting funds to encourage, supplement and initiate research related to pediatric cancer diseases, as well as to supplement patient, parent and hospitals' specific needs.

The Bear Hugs Program supports cancer patients (ages 0-19), as well as their immediate families that face the many challenges that accompany the diagnosis and treatment of pediatric cancer. The Foundation's outreach serves both in state and out of state children that are being treated at some of the major Chicago area hospitals with pediatric oncology departments. A Bear Hug is a customized experience that brightens the life of a child going through cancer. The Bear Hugs Program also provides immediate family support for financial burden and essential needs.

2. Summary of significant accounting policies

The significant accounting policies of the Foundation are summarized below.

Basis of accounting:

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncement:

Effective July 1, 2020, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Foundation recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five step approach for the recognition of revenue. As disclosed in Note 5, the Foundation implemented this standard during the year ended June 30, 2021 using the modified retrospective method.

2. Summary of significant accounting policies (continued)

Basis of presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> **Net assets without donor restrictions** – Net assets available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and the environment in which it operates. Board-designated net assets include assets over which the Board of Directors retains control and may, at its discretion, subsequently be used to support the mission of the Foundation.
>
> **Net assets with donor restrictions** – Some donor-imposed restrictions are temporary in nature, such that they 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 that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Tax status:

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service (IRS) has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

Management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2021.

2. Summary of significant accounting policies (continued)

Cash:

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2021, the Foundation's uninsured cash balances totaled $214,245. Management believes that the Foundation is not subject to any significant credit risk on cash.

Fair value measurements:

The Foundation utilizes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments:

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2021:

June 30, 2021	Level 1
Equity securities	$ 168,764
U.S. government obligations	13,436
Mutual funds:	
Equity funds	397,220
Total investments at fair value	$ 579,420

2. Summary of significant accounting policies (continued)

Investments: (continued)

Realized and unrealized investment gains and losses and other investment income are reflected in the statement of activities as changes in net assets without donor restrictions.

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The strategy's primary goal is capital appreciation and stability as a secondary goal. The assets are invested in a portfolio which consists of equities, U.S. government obligations, corporate bonds, and mutual funds. The objective of the investment portfolio is to maximize long-term returns consistent with prudent levels of risk. In establishing the investment objectives of the investment portfolio, the Board of Directors has taken into account the time horizon available for investment, the nature of the investment portfolio's cash flows and liabilities and other factors that affect the portfolio's risk tolerance. The Foundation expects its assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

External and direct internal expenses relating to investment revenues amounted to $1,090 and have been netted against investment revenues in the accompanying statement of activities for the year ended June 30, 2021.

Contributions receivable:

Contributions receivable include unconditional promises to give net of an allowance for doubtful accounts. The Foundation estimates the allowance based on an analysis of specific donor history and experience. 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.

An allowance for doubtful accounts is considered unnecessary and is not provided for the year ended June 30, 2021.

Inventory:

The Foundation maintains an inventory of various clothing and toys. The Foundation states inventory at the lower of cost (average cost method) or net realizable value.

2. Summary of significant accounting policies (continued)

Property and equipment:

The Foundation capitalizes all expenditures in excess of $1,000 for property and equipment at cost or, if donated, at fair value at the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the assets using the straight-line method, ranging from five to thirty-nine years.

Advertising:

Advertising costs are expensed as incurred and totaled $7,620 for the year ended June 30, 2021.

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel related expenses are allocated on the basis of estimates of time and effort. Depreciation and amortization and occupancy expenses are allocated by the percentage of personnel related expenses in each functional category to total personnel related expenses. Certain costs directly attributable to one program or supporting function are charged directly to that function.

Donated goods and services:

Donated goods and services are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Foundation recognizes the fair value of contributed services received if such services 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 contributed. Donated goods and services of the following are included as both in-kind contributions, as well as revenue under special events and other fundraisers in the statement of activities:

Year ended June 30, 2021	
Event expenses	$ 10,908
Bear Hugs	596
Total donated goods and services	$ 11,504

2. Summary of significant accounting policies (continued)

Donated goods and services: (continued)

Many individuals volunteer their time and perform tasks that assist the Foundation. No amounts have been reflected in the financial statements for those donated services because the criteria for financial statement recognition were not met.

Use of estimates:

The preparation of financial statements in accordance 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.

Subsequent events:

Management of the Foundation has reviewed and evaluated subsequent events through October 1, 2021, the date the financial statements were available to be issued.

3. COVID-19 impact

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy.

Due to the COVID-19 pandemic, the Foundation was forced to restructure two of its main fundraising events, the Bear Tie Ball and the Bear Walk to be virtual events, which resulted in significant decreases in revenue compared to prior years.

Additionally, the COVID-19 pandemic has led to a decrease in expenditures for the Bear Hugs program of approximately $160,000. Historically, the Foundation has been able to provide an ample amount of experiences and tangible goods for the participants in its program, however, due to safety concerns related to the ongoing COVID-19 pandemic, no experiences were provided for the year ended June 30, 2021.

4. Liquidity and availability

The Foundation's contributions in the current year were received without donor restrictions and were used for annual funding needs.

The Foundation considers appropriated earnings from Board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following two guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents over 100% of annual expenses for administrative, general, and fundraising expenses.

In addition to financial assets available to meet general expenditures over the next fiscal year, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Foundation reviews internal financial statements, including cash flows and budget to actual statements on a monthly basis.

4. Liquidity and availability (continued)

The following represents the Foundation's financial assets available to meet general expenditures at June 30, 2021:

June 30, 2021		
Financial assets at year-end:		
Cash	$	679,293
Investments		579,420
Total financial assets		1,258,713
Less amounts not available to be used within one year:		
Donor-imposed restrictions		(44,525)
Board-designated net assets		(525,000)
Total amounts not available to be used within one year		(569,525)
Financial assets available to meet general expenditures within one year	$	689,188

5. Revenue from contracts with customers

The Foundation has adopted the guidance of Topic 606 using the modified retrospective approach, which applied to contacts that have remaining obligations as of July 1, 2020 and new contracts entered into subsequent to July 1, 2020. Under the modified retrospective method, the cumulative effect of the application of Topic 606 is shown as an adjustment to beginning net assets as of the date of application. There was no significant effect on any financial statement line items as a result of applying Topic 606.

Performance obligations:

Revenue from contracts with customers includes revenue from sponsorship and registration fees for the Foundation's annual golf outing. Sponsorships include advertising at the annual golf outing. The revenue from these agreements is recognized at a point in time, which is the day of the outing. Registration revenue is earned on the day of the event when the customer consumes the benefits of the registration fee. The Foundation does not offer any discounts or financing.

5. Revenue from contracts with customers (continued)

Performance obligations: (continued)

Revenue from contracts with customers includes merchandise sales which is recognized at a point in time, when the merchandise is sold, which is when the performance obligations are met. All revenue is recognized net of state and local sales tax on the transaction.

Variable consideration:

The Foundation does not accept returns, nor provide product warranties for merchandise sold, therefore, there is no variable consideration for contracts with customers for the year ended June 30, 2021.

Contract balances:

The Foundation had contract liabilities of $32,125 related to revenue from contracts with customers at June 30, 2021. There were no receivables related to contracts with customers at June 30, 2021.

Significant judgments:

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. This includes determining how to allocate the transaction price to performance obligations identified in the contract, as well as determining whether revenue from contracts with customers is recognized over time, or at a point in time.

Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the year ended June 30, 2021 was as follows:

Year ended June 30, 2021	
Revenue recognized at a point in time:	
Sponsorships	$ 15,680
Golf registration	32,700
Merchandise sales	79
Total contract revenue	$ 48,459

6. Property and equipment

The following is a summary of property and equipment:

June 30, 2021	
Buildings and building improvements	$ 1,500,220
Furniture and equipment	9,378
	1,509,598
Less accumulated depreciation	503,593
Property and equipment, net	$ 1,006,005

Depreciation expense for the year ended June 30, 2021 was $39,967.

7. Mortgage payable

The Foundation has a mortgage. The mortgage balance at June 30, 2021 was $330,856. The mortgage is payable in monthly principal installments of $4,726 plus interest calculated at a fixed interest rate of 4.25% per annum and the loan is due in April 2027. The mortgage is collateralized by the underlying property. Interest expense totaled $15,576 for the year ended June 30, 2021.

Future minimum principal payments are as follows:

Year ending June 30:	Amount
2022	$ 56,718
2023	56,718
2024	56,718
2025	56,718
2026	56,718
Thereafter	47,266
Total	$ 330,856

8. Loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. During April 2020, the Foundation applied for and received a PPP loan for an aggregate and principal amount of $113,000. The loan is a two-year loan maturing in April 2022. The loan bears an annual interest rate of 1%. The Foundation received full forgiveness of this loan on May 17, 2021.

During January 2021, the Foundation applied for and received a second round of PPP funding for an aggregate and principal amount of $112,920. The loan is a two-year loan maturing in January 2023. The loan bears an annual interest rate of 1%. The Foundation intends to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Foundation is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Foundation has accounted for both PPP loans under the debt model in which the loan will remain a liability of the Foundation until such time that the Foundation's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Foundation will recognize revenue to the extent of the amount forgiven. The Foundation has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time. The two-year maturity date could be extended to five years if approved by the lender.

9. Commitments

The Foundation has a line of credit agreement with Wintrust bank, which permits total draws of up to $100,000. The line of credit bears annual interest of 3.49% and matures in April 2022. There were no draws against the line of credit at June 30, 2021.

10. Board-designated net assets

The Board of Directors of the Foundation has designated an endowment fund of $525,000, known as the Bear Fund, as a general endowment to support the mission of the Foundation. It is the policy of the Board of Directors to use the income and dividends from the designated endowment fund to support the Foundation's general activities.

The Board-designated endowment balance, which are included in net assets without donor restrictions, totaled $525,000 at June 30, 2021.

11. Net assets with donor restrictions

As of June 30, 2021, net assets with donor restrictions are restricted for the following purpose restriction:

June 30, 2021	
Purpose-restricted fund:	
Bear Hugs - Naples chapter	$ 44,525