



The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2019 and 2018



Independent Auditors' Report

The Board of Directors The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of The Multiple Myeloma Research Foundation, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Multiple Myeloma Research Foundation, Inc. and Subsidiaries as of December 31, 2019 and 2018 and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**The Board of Directors
The Multiple Myeloma Research Foundation, Inc.**

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Adoption of New Accounting Guidance

As discussed in Note 2 to the financial statements, during the year ended December 31, 2019, The Multiple Myeloma Research Foundation, Inc. adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

PKF O'Connor Davies, LLP

May 15, 2020

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 10,943,120	\$6,982,611
Investments	42,886,418	39,118,575
Contributions and grants receivable, net	14,668,836	18,032,623
Accounts receivable and contract assets	7,399,453	2,635,033
Other receivables	-	132,000
Prepaid expenses	905,107	882,583
Programmatic investments	617,425	-
Other assets	91,977	91,977
Investments - other	-	550,000
Property and equipment, net	1,642,019	1,286,498
	\$ 79,154,355	\$ 69,711,900
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 10,194,365	\$ 10,995,491
Research awards payable	5,615,903	7,527,761
Research grants payable	952,000	1,041,500
Deferred revenue	5,968,343	1,596,426
Deferred rent expense payable	693,370	733,383
Total Liabilities	23,423,981	21,894,561
Net Assets		
Without donor restrictions	35,142,177	30,050,411
With donor restrictions	20,588,197	17,766,928
Total Net Assets	55,730,374	47,817,339
	\$ 79,154,355	\$ 69,711,900

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Activities

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 22,098,778	\$ 5,310,490	\$ 27,409,268	\$ 14,324,115	\$ 14,649,308	\$ 28,973,423
Clinical trial revenue	2,813,345	-	2,813,345	3,610,454	-	3,610,454
PMIC membership	3,200,000	-	3,200,000	3,200,000	-	3,200,000
In-Kind contributions	546,321	-	546,321	495,445	-	495,445
Royalties	1,956,025	-	1,956,025	277,528	-	277,528
Allowance for doubtful contributions receivable	(250,000)	(125,000)	(375,000)	-	(375,000)	(375,000)
Net assets released from restriction	2,364,221	(2,364,221)	-	2,696,658	(2,696,658)	-
	<u>32,728,690</u>	<u>2,821,269</u>	<u>35,549,959</u>	<u>24,604,200</u>	<u>11,577,650</u>	<u>36,181,850</u>
Special Events						
Special event support	9,240,920	-	9,240,920	9,167,659	180,000	9,347,659
Net of direct donor benefit expenses	(2,016,938)	-	(2,016,938)	(2,340,496)	-	(2,340,496)
	<u>7,223,982</u>	<u>-</u>	<u>7,223,982</u>	<u>6,827,163</u>	<u>180,000</u>	<u>7,007,163</u>
Investment return	<u>2,473,507</u>	<u>-</u>	<u>2,473,507</u>	<u>505,962</u>	<u>-</u>	<u>505,962</u>
Total Public Support and Revenue	<u>42,426,179</u>	<u>2,821,269</u>	<u>45,247,448</u>	<u>31,937,325</u>	<u>11,757,650</u>	<u>43,694,975</u>
EXPENSES						
Program Services						
Research	20,690,347	-	20,690,347	25,396,122	-	25,396,122
Myeloma Investment Fund	873,985	-	873,985	185,741	-	185,741
Education	4,561,102	-	4,561,102	3,881,220	-	3,881,220
Awareness	2,885,706	-	2,885,706	3,075,418	-	3,075,418
Total Program Services	<u>29,011,140</u>	<u>-</u>	<u>29,011,140</u>	<u>32,538,501</u>	<u>-</u>	<u>32,538,501</u>
Supporting Services						
Management and general	806,716	-	806,716	590,588	-	590,588
Fundraising	4,316,557	-	4,316,557	3,630,412	-	3,630,412
Total Supporting Services	<u>5,123,273</u>	<u>-</u>	<u>5,123,273</u>	<u>4,221,000</u>	<u>-</u>	<u>4,221,000</u>
Total Expenses	<u>34,134,413</u>	<u>-</u>	<u>34,134,413</u>	<u>36,759,501</u>	<u>-</u>	<u>36,759,501</u>
Change in Net Assets	8,291,766	2,821,269	11,113,035	(4,822,176)	11,757,650	6,935,474
NET ASSETS						
Beginning of year	30,050,411	17,766,928	47,817,339	34,872,587	6,009,278	40,881,865
Change in accounting principle	(3,200,000)	-	(3,200,000)	-	-	-
End of year	<u>\$ 35,142,177</u>	<u>\$ 20,588,197</u>	<u>\$ 55,730,374</u>	<u>\$ 30,050,411</u>	<u>\$ 17,766,928</u>	<u>\$ 47,817,339</u>

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

Year Ended December 31, 2019

	Program Services								Direct Donor Benefit	Total
	Research	Myeloma Investment Fund	Education	Awareness	Total Program Services	Management and General	Fundraising			
EXPENSES										
Clinical trials and research expense	\$ 8,980,380	\$ -	\$ -	\$ -	\$ 8,980,380	\$ -	\$ -	\$ -	\$ -	\$ 8,980,380
Salaries and related expenses	3,022,249	579,585	1,229,956	1,388,975	6,220,765	681,658	2,144,180	-	-	9,046,603
Research and site investment grants	4,201,474	-	-	-	4,201,474	-	-	-	-	4,201,474
Summits and other event production	149,408	231	2,364,978	80,567	2,595,184	271	295,214	1,502,094	-	4,392,763
Occupancy, office, supplies, and other	442,222	68,340	248,858	132,820	892,240	52,867	698,194	370	-	1,643,671
Professional fees and outside services	2,907,079	187,274	249,356	217,258	3,560,967	57,708	315,733	-	-	3,934,408
Patient and clinician outreach	-	-	130,424	-	130,424	-	-	-	-	130,424
Advertising, marketing, and public relations	307,175	747	255,404	979,573	1,542,899	883	543,706	-	-	2,087,488
Registration fees	99,628	4,354	893	4,402	109,277	396	6,485	514,474	-	630,632
Tissue banking	315,748	-	-	-	315,748	-	-	-	-	315,748
Travel	137,323	19,685	22,315	63,466	242,789	3,329	278,414	-	-	524,532
Depreciation and amortization	127,661	13,769	58,918	18,645	218,993	9,604	34,631	-	-	263,228
	20,690,347	873,985	4,561,102	2,885,706	29,011,140	806,716	4,316,557	2,016,938	-	36,151,351
Direct donor benefits	-	-	-	-	-	-	-	(2,016,938)	-	(2,016,938)
Total Expenses	\$ 20,690,347	\$ 873,985	\$ 4,561,102	\$ 2,885,706	\$ 29,011,140	\$ 806,716	\$ 4,316,557	\$ -	\$ -	\$ 34,134,413

Year Ended December 31, 2018

	Program Services								Direct Donor Benefit	Total
	Research	Myeloma Investment Fund	Education	Awareness	Total Program Services	Management and General	Fundraising			
EXPENSES										
Clinical trials and research expense	\$ 11,828,123	\$ -	\$ -	\$ -	\$ 11,828,123	\$ -	\$ -	\$ -	\$ -	\$ 11,828,123
Salaries and related expenses	2,345,008	137,263	1,057,526	1,389,481	4,929,278	530,519	1,408,279	-	-	6,868,076
Research and site investment grants	5,457,988	-	-	-	5,457,988	-	-	-	-	5,457,988
Summits and other event production	52,662	-	1,392,195	180,260	1,625,117	1,659	816,869	1,144,503	-	3,588,148
Occupancy, office, supplies, and other	362,140	27,073	232,097	213,612	834,922	16,686	449,472	274,540	-	1,575,620
Professional fees and outside services	4,474,209	16,726	75,808	241,984	4,808,727	24,015	53,946	372,285	-	5,258,973
Patient and clinician outreach	-	-	261,223	-	261,223	-	-	-	-	261,223
Advertising, marketing, and public relations	339,946	-	809,054	943,621	2,092,621	238	575,725	14,427	-	2,683,011
Registration fees	46,604	-	1,755	733	49,092	55	2,612	534,741	-	586,500
Tissue banking	296,329	-	-	-	296,329	-	-	-	-	296,329
Travel	130,614	290	18,694	61,768	211,366	906	279,500	-	-	491,772
Depreciation and amortization	62,499	4,389	32,868	43,959	143,715	16,510	44,009	-	-	204,234
	25,396,122	185,741	3,881,220	3,075,418	32,538,501	590,588	3,630,412	2,340,496	-	39,099,997
Direct donor benefits	-	-	-	-	-	-	-	(2,340,496)	-	(2,340,496)
Total Expenses	\$ 25,396,122	\$ 185,741	\$ 3,881,220	\$ 3,075,418	\$ 32,538,501	\$ 590,588	\$ 3,630,412	\$ -	\$ -	\$ 36,759,501

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,113,035	\$ 6,935,474
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposals of assets	-	930
(Gain) loss on investments	(1,123,985)	573,210
Depreciation and amortization	263,228	204,234
Allowance for doubtful contributions receivable	375,000	375,000
Changes in operating assets and liabilities		
Contributions receivable, net	3,538,787	(12,059,274)
Accounts receivable and contract assets	(4,764,420)	(293,269)
Other receivables	132,000	(132,000)
Prepaid expenses	(22,524)	(162,060)
Accounts payable and accrued expenses	(801,126)	4,629,395
Research awards payable	(1,911,858)	1,459,833
Research grants payable	(89,500)	(207,500)
Deferred revenue	1,171,917	(326,592)
Deferred rent expense payable	(40,013)	733,383
Net Cash from Operating Activities	7,840,541	1,730,764
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(618,747)	(1,024,007)
Programmatic investments	(617,425)	-
Proceeds from sale of investments	1,615,920	46,217
Purchase of investments	(4,259,780)	(21,053,597)
Net Cash from Investing Activities	(3,880,032)	(22,031,387)
Net Change in Cash and Cash Equivalents	3,960,509	(20,300,623)
CASH AND CASH EQUIVALENTS		
Beginning of year	6,982,611	27,283,234
End of year	\$ 10,943,120	\$ 6,982,611
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities		
Investment impairment offset by related increase in contribution receivable	\$ 550,000	\$ -

See notes to consolidated financial statements

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

1. Organization

The Multiple Myeloma Research Foundation, Inc. and its wholly owned subsidiaries, The Multiple Myeloma Research Consortium, LLC (“MMRC”) and Myeloma Investment Fund, LLC (“MIF”), formerly known as the MMRF, LLC, collectively referred to as “the MMRF,” advances research to accelerate a cure for multiple myeloma – the second most common blood cancer. The MMRF, with its end-to-end precision medicine model, collaborates with its partners to accelerate basic and translational research, and move the best ideas rapidly into clinical trials. The MMRF also engages with patients and their friends and families to educate and empower them to optimize their outcomes. The MMRF was incorporated on January 13, 1998.

As a patient-founded organization, the MMRF stands together with those who are battling multiple myeloma - patients, families, physicians, researchers, and investors. At the same time, the MMRF stands apart with its innovative approach. The MMRF generates, interprets, and activates the largest collection of high quality data and places it in the public domain. The MMRF orchestrates the people, programs, and technologies necessary to speed the discovery of a cure.

The proven network of the MMRF engages the best new science and technology to accelerate development of treatments for patients as quickly as possible. The unique model removes barriers for cancer breakthroughs with its end-to-end solution in cancer research. It is based on three interrelated pillars: The Patient Data Bank, The Learning Network, and The Clinic. Applying the MMRF innovative model to precision medicine, which means getting the right patient the right treatment at the right time, puts the promise of a cure within reach.

In 2019, the MMRF through the MMRC opened the first-ever Platform Clinical Trial for Multiple Myeloma and is the IND (Investigational New Drug) holder. This platform trial will screen patients’ tumor samples for genetic signatures and randomize them to appropriate targeted therapies, allowing for greater efficiency in assessing treatment options. An additional three IST clinical trials opened in 2019 and the MMRC enrolled over 160 patients across 20 trials. From its inception, the MMRC has enrolled over 2,150 patients across more than 75 clinical trials (unaudited).

The MMRF anticipates making significant future investment to continue building the end-to-end precision model and immuno-oncology as the precision patient care model, sustain research through venture philanthropy and harness data to identify new targets and care pathways.

MIF, a wholly-owned single member limited liability company, is the first and only mission-driven, self-sustaining, scalable venture philanthropy fund focused solely on multiple myeloma. The aim is to create major scientific breakthroughs by directing capital where financial support could have an immediate and meaningful impact on patients’ lives. Of particular interest are companies, clinical assets, and technologies that have profound potential to bring life extending treatments and cures to more patients more rapidly. As a venture philanthropy fund, neither management nor donors to the MIF receive distributions. All profits are reinvested into the MIF, allowing for continual investment in emerging science.

The MMRF and its subsidiaries are exempt from federal income taxes under Sections 501(c)(3) of the Internal Revenue Code. MMRC and MIF are disregarded entities for tax purposes.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the MMRF. All material inter-organizational balances and transactions have been eliminated in consolidation.

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

Revenue from Contracts with Customers (Topic 606)

Effective January 1, 2019, the MMRF adopted new U.S. GAAP revenue recognition guidance, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"), which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. As permitted by the new framework, the MMRF elected not to adjust the promised amount of consideration for the effects of a significant financing component as all revenue is collected within one year or less. The MMRF adopted ASU 2014-09 on a modified retrospective basis whereby a cumulative effect adjustments was made to opening net assets

Adoption of ASU 2014-09 resulted in an opening adjustment to opening net assets of \$3,200,000 to recognize opening deferred revenue as of January 1, 2019.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 provides a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 and the MMRF adopted ASU 2018-08 on a modified prospective basis.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

The MMRF considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are reported at their fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

The MMRF invests in a diversified, no load, short term, investment grade corporate bond fund in an effort to generate a higher yield on its short-term liquid assets than its holdings in overnight and money market funds.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Contracts with Customers

The MMRF has multiple revenue streams that are accounted for as exchange transactions including Personalized Medicine Initiative Consortium ("PMIC") membership, clinical trial revenue, and exchange transaction involving special events.

PMIC Membership

PMIC membership involves several pharmaceutical companies paying for advanced access to data compiled by the MMRF. The membership entitles the pharmaceutical companies to access twice during a year to data collected from Multiple Myeloma patients by the MMRF. The pharmaceutical companies pay in advance for the upcoming year. The MMRF recognizes revenue proportionally during the two access periods available to the pharmaceutical companies. Because all revenue is collected prior to the delivery of services, collection of fees has been completed. As of December 31, 2019, there was \$4,800,000 recorded in deferred revenue for future data releases.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Contracts with Customers (continued)

Clinical Trial Revenue

The MMRF contracts with several pharmaceutical companies to coordinate various clinical trials of drug treatments for Multiple Myeloma. The MMRF and its wholly-owned subsidiary MMRC, have entered into contracts with study sites to perform clinical research. The pharmaceutical companies contract with the MMRF to organize the drug trial among its various network of study sites. MMRF is responsible for entering into contracts to perform the drug trials in accordance with the specifications as determined by the pharmaceutical companies, ensuring the study sites perform the drug trials, collecting data produced by clinical trials, providing certain administrative support to the study sites, compelling the study sites to produce a final report, and paying study sites. The clinical trials typically span over multiple years. The length of time a clinical trial runs is dependent upon identifying subjects who meet the specific criteria to be eligible to participate in the trial. Therefore, the number of enrolled subjects is the input used to measure the delivery of services to the customer. Based on the MMRF's strong collection experience, the MMRF has concluded that all revenue recognized is probable of collection.

Receivables from clinical trial revenue and PMIC membership are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in Fees for Services receivable. As of December 31, 2019 and 2018, no allowance for doubtful accounts has been deemed necessary. As of December 31, 2019, \$3,200,000 in receivables have been recognized as deferred revenue.

Special Events

The MMRF conducts numerous special events to raise money. These events include dinners, the MMRF branded 5K races, selling entries into endurance events, and more. Fees for these events include both an exchange transaction component and contribution component. To the extent fees are collected prior to the event and are refundable to participants, they are reported as deferred revenue. The fees are recognized as revenue at a point in time, typically, when the event occurs.

The following is an analysis of contract assets, contract liabilities, and accounts receivable as of December 31

	2019	2018	2017
Accounts receivable	\$ 4,010,399	\$ 724,903	\$ 399,019
Contract assets	<u>3,389,054</u>	<u>1,910,130</u>	<u>1,942,745</u>
Total accounts receivable and contract assets	<u>\$ 7,399,453</u>	<u>\$ 2,635,033</u>	<u>\$ 2,341,764</u>
Deferred revenue (contract liabilities)	<u>\$ 5,968,343</u>	<u>\$ 1,596,426</u>	<u>\$ 1,923,018</u>

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Contracts with Customers (continued)

Revenue Recognition Practical Expedients

Customer payment terms are typically less than one year and as such, the MMRF has applied the practical expedient to exclude consideration of significant financing components from the determination of the transaction price. If taxes are collected from customers and remitted to governmental authorities, they are excluded from net sales. Costs to obtain a contract are generally immaterial, but the MMRF has elected the practical expedient to expense these costs as incurred if the amortization period of the capitalized cost would be one year or less. As permitted by the guidance the MMRF has applied a portfolio approach to evaluating the customer's ability to pay, rather than evaluating each customer's ability to pay separately.

Fair Value of Measurements

The MMRF follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if received by donation, at estimated fair value at the time such items are received. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 6 years. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease inclusive of expected renewals.

Investments – Other

The MMRF has an investment in common stock of a certain privately-held company in the medical industry that is accounted for using the cost method. In 2019, the privately-held company underwent an equity transaction that provided information about the value of the MMRF's holding in the privately-held company. Based on the value of shares at the time of the equity transaction, MMRF determined the shares value to be permanently impaired. The donor who gifted the stock to the MMRF has promised to fund the difference between proceeds from the privately-held company's initial public offering and the value at the time of the gift of \$550,000. Accordingly, contributions receivable was increased \$550,000 for the decline in value due to the privately-held company's equity transaction. The carrying value of the investment in this company recognized on the consolidated statement of financial position is \$- and \$550,000 as of December 31, 2019 and 2018.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Deferred Rent and Rent Expense

Lease agreements require increases in the minimum base rent over time and also contain free rent periods and lease incentive payments. Rent expense under these lease agreements is recognized on the straight-line basis over the term of these related leases. The difference between rent expense recognized on the straight-line basis and cash paid is accounted for as deferred rent and included in accrued expenses on the accompanying consolidated statements of financial position.

Net Assets

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 for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed or certain grantor-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. Contributions restricted by donors are reported as an increase 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 increase 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 consolidated statements of activities as net assets released from restrictions.

Contributions

The MMRF recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met.

Contributed Services

For the years ended December 31, 2019 and 2018, donated services totaled approximately \$815,000 and \$495,000, respectively. Approximately \$269,000 was recognized as special event support for 2019. Such services are included in the consolidated financial statements as in-kind donations along with the corresponding expenses. Donated services consisted of legal, consulting, printing and promotional services. In addition, a number of volunteers have contributed their time to the MMRF, none of which meet the requirements for financial statement recognition.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Royalties

In exchange for various grant research awards the MMRF awarded, an unaffiliated company gave MMRF a royalty interest in any future sales or licensing of various products or patents developed from the related research.

One royalty agreement is capped at \$6,000,000. The royalty income is recognized as the payments are determined and they are received or receivable. Cumulative payments under the royalty agreement received by the MMRF as of December 31, 2019 and 2018 are approximately \$3,740,000 and \$2,250,000.

As part of The MMRF's clinical trial program, The MMRC supported a trial for which it received a one-time royalty payment of \$465,000 for its support.

Advertising

The MMRF uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Joint Costs

During 2019 and 2018, the MMRF incurred joint costs of \$180,548 and \$545,538, for joint costs activities that included fundraising appeals, including various contacts and communications with Multiple Myeloma patients, doctors and caregivers in the form of meetings, informational emails, website, and mailing educational materials. For 2019 and 2018, the MMRF allocated \$93,116 and \$289,702 to fundraising expense and \$87,432 and \$255,837 to program expense.

Functional 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. The expenses that are allocated include salaries and related expenses, professional fees, occupancy, information technology, travel, office expenses, depreciation and amortization, newsletter, insurance, temporary help, telephone, and miscellaneous which are allocated on the basis of estimated employee time spent on each functional area.

Accounting for Uncertainty in Income Taxes

The MMRF recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the MMRF had no uncertain tax positions that would require financial statement recognition or disclosure.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is May 15, 2020.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on ending net assets or the change in net assets for the year-ended December 31, 2018. This change in classification does not affect previously reported cash flows from operating activities in the consolidated statements of cash flows for the year-ended December 31, 2018.

3. Liquidity and Availability

The following reflects MMRF's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years.

Total financial assets available to meet cash needs for general expenditure within one year at December 31, are as follows:

	2019	2018
Cash and cash equivalents	\$ 10,943,120	\$ 6,982,611
Investments	42,886,418	39,118,575
Contributions receivable within one year	11,632,833	16,035,370
Accounts receivable and contract assets	7,399,453	2,635,033
Other receivables	-	132,000
Total financial assets available		
Within One Year	72,861,824	64,903,589
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	19,591,933	14,324,050
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 53,269,891	\$ 50,579,539

The principal source of liquidity is cash flow generated from contributions and grants from donors through fundraising efforts. As part of the MMRF's liquidity strategy, management structures its financial assets, consisting of cash, investments, and receivables to be available as its general expenditures, liabilities and obligations come due within one year. Excess cash is invested in highly liquid fixed income securities, which could be drawn upon readily in the event of an unanticipated liquidity need. In addition, the MMRF receives cash flows from providing services related to clinical trials of drugs and royalties. Much of these amounts are expected to be collected within one year.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

4. Concentrations

The MMRF maintains cash and investment balances at multiple financial institutions. Accounts at each banking institution are insured by the Federal Deposit Insurance Corporation (“FDIC insured”) up to \$250,000. As of December 31, 2019, cash held in banks in excess of the federally insured limits was approximately \$8,308,000. As of December 31, 2019, approximately \$44,152,000 of investments and cash equivalents are held at one financial institution. The MMRF believes it is not exposed to any significant credit risk on its cash and investment balances.

At December 31, 2019, approximately \$7,500,000 or 48% of contributions receivable was receivable from two donors and at December 31, 2018 \$10,000,000 or 55% of contributions receivable was receivable from two donors.

As of December 31, 2019, two customers represent 43% of accounts receivable and contract assets.

For 2019, no donor represented 10% or more of contributions. For 2018, two donors, one who is a board member, contributed \$10,000,000 or 31% of contributions.

The MMRF received approximately 16% in 2019 and 2018 of its total public support and revenue from its special events.

5. Investments

Investments consist of the following at December 31 and were valued using Level 1 inputs.

	2019		
	Cost	Fair Value	Unrealized Gain
Level 1 Inputs			
Short term corporate bond fund	<u>\$ 42,489,674</u>	<u>\$ 42,886,418</u>	<u>\$ 396,744</u>
	2018		
	Cost	Fair Value	Unrealized Loss
Level 1 Inputs			
Short term corporate bond fund	<u>\$ 39,829,896</u>	<u>\$ 39,118,575</u>	<u>\$ (711,321)</u>

Money market funds valued using Level 1 inputs included within cash and cash equivalents was as follows as of December 31:

	2019	2018
Money market funds	<u>\$ 1,267,323</u>	<u>\$ 1,135,038</u>

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

5. Investments (continued)

At December 31, 2019 and 2018, the short-term corporate bond fund investments had an average credit rating of A, according to Moody's Investor Services and Standard and Poor's, an average maturity of 2.8 years and 3.0 years, respectively; an average duration of approximately 2.5 and 2.4 years, with an average yield of 1.7% and 3.2%, respectively.

6. Contributions Receivable

Contributions receivable at December 31 are due as follows:

	2019	2018
Receivables currently due	\$ 7,997,872	\$ 1,717,745
Receivable in less than one year	3,634,961	14,317,625
Receivable in one to five years	4,105,000	2,691,250
Total contributions receivable	15,737,833	18,726,620
Discount to net present value	(318,997)	(318,997)
Allowance for doubtful accounts	(750,000)	(375,000)
	\$ 14,668,836	\$ 18,032,623

Pledges receivable with due dates extending beyond one year have discounted rates at December 31, 2019 and 2018 between 2% and 4%.

The aforementioned pledges have been included in the following net asset categories at December 31:

	2019	2018
Without donor restrictions	\$ 892,078	\$ 1,800,795
With donor restrictions	13,776,758	16,231,828
	\$ 14,668,836	\$ 18,032,623

7. Programmatic Investments

The MMRF invests in entities that are pursuing research into a cure and/or treatment for multiple myeloma. The goal of these investments is to the research of new cures or treatments. Programmatic investments are accounted for at cost. Any permanent impairment of the investments are recorded in the period that the impairment occurs. Returns from the investments will be reinvested into other entities or utilized by the MMRF for program expenses. There was no return on the programmatic investments in 2019 and 2018. As of December 31, programmatic investments were comprised of the following:

	2019	2018
Convertible promissory note	\$ 517,425	\$ -
Preferred stock	100,000	-
	\$ 617,425	\$ -

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

7. Programmatic Investments *(continued)*

The Convertible promissory note matures on June 3, 2020 and bears interest of 6% per annum. The convertible promissory note and accrued and unpaid interest is automatically converted to equity securities, if the entity has a qualified financing event as defined by the convertible promissory note. If no qualifying finance event occurs before the note matures, the MMRF may convert the principal and accrued and unpaid interest into common stock of the issuing entity. For 2019, the MMRF recognized interest income on promissory note of \$17,425.

8. Property and Equipment

At December 31, property and equipment, and related accumulated depreciation and their depreciable lives consisted of the following:

	Estimated useful lives	2019	2018
Equipment	1 - 3 years	324,289	\$ 200,439
Leasehold improvements	3 - 4 years	635,825	642,686
Furniture and fixtures	3 - 6 years	60,305	52,487
Software	2 - 4 years	2,002,678	1,508,737
		<u>3,023,097</u>	<u>2,404,349</u>
Accumulated depreciation and amortization		<u>(1,381,078)</u>	<u>(1,117,851)</u>
		<u>\$ 1,642,019</u>	<u>\$ 1,286,498</u>

9. Research Awards

The MMRF awards research awards and grants at the recommendation of its medical/scientific advisory board. For the year ended December 31, the MMRF made the following awards:

	2019	2018
Fellows research award	\$ 375,000	\$ 225,000
Genomic data analysis	-	500,000
Immunotherapy	483,712	1,632,000
Translational core	120,643	396,988
Prevention program	2,200,000	1,650,000
Site investment grants	982,000	1,054,000
Other awards	40,119	-
	<u>\$ 4,201,474</u>	<u>\$ 5,457,988</u>

Grants and awards authorized and payable of \$6,567,903 at December 31, 2019 are expected to be paid within the next 12 months.

As of December 31, 2019, the MMRF has made 12 conditional grants to 10 researchers totaling \$5,805,603.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

10. Restrictions and Designation of Net Assets

Net assets released from donor restrictions and disbursed during the year ended December 31 consist of the following:

	2019	2018
Everest	\$ -	\$ 130,000
General research	-	500,000
Health system pilot	9,317	-
Immunotherapy	50,000	50,000
Myeloma Investment Fund	1,324,279	-
Patient summits	-	50,000
Precision medicine	200,000	455,000
Prevention program	-	420,000
Special events	180,000	-
Time restricted	600,625	998,125
Tissue study	-	68,533
Webcast	-	25,000
	\$ 2,364,221	\$ 2,696,658

Donor restricted net assets as of December 31 were available for the following purpose:

	2019	2018
General research	\$ -	\$ 125,000
Health system pilot	1,190,683	1,200,000
Immunotherapy	1,784,828	100,000
Myeloma Investment Fund	10,804,671	10,128,950
Patient summits	205,000	75,000
Patient navigator center	500,000	-
Precision medicine	400,000	600,000
Prevention program	3,725,000	1,705,100
Early disease prevention	130,727	-
Special events	475,000	180,000
Time restricted	1,315,261	3,761,875
Webcast	95,000	40,000
Other	281,024	170,000
Present value discount	(318,997)	(318,997)
	\$ 20,588,197	\$ 17,766,928

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

11. Related Party Transactions

Board of Directors

For the years ended December 31, 2019 and 2018, the MMRF received contributions from the members of the board of directors or entities related to the members of the board of directors totaling approximately \$3,165,000 or 17% and \$6,350,000 or 20% of total contributions, respectively. As of December 31, 2019 and 2018, approximately \$3,540,000 or 20% and \$6,615,000 or 36% of contributions receivable are due from board members or entities related to board members.

The MMRF Minority Interests

During the years ended December 31, 2019 and 2018, the MMRF held a 5% minority interest in a for-profit company. The MMRF received ownership in this entity as part of the service agreement executed when the MMRF hired them to perform services for the MMRF in 2012. The MMRF considered the payments under the services agreement to be solely for services rendered and did not allocate any portion to investment in the entity. Additionally, the MMRF considers any cost that would have been allocated, based on the financial condition of the entity, to be immaterial to the consolidated financial statements. Accordingly, no investment in the entities has been recorded. There were no related party transactions in 2019 and 2018 with this entity.

In 2016, the MMRF held a 1% interest in Genospace, LLC. In January 2017, Genospace, LLC entered into a sales agreement which included the outstanding units held by the MMRF and as a result of the sales transaction, the MMRF received \$67,000. In 2018, the MMRF received an additional \$46,000. The MMRF received a final payment of approximately \$16,000 in 2019.

12. LS Study (*unaudited*)

The MMRF Longitudinal Study (LS) (unaudited)

The MMRF Longitudinal Study (CoMMpass) was commenced in 2011 and has been extended through 2023. The MMRF is the sponsor of a personalized medicine initiative in which approximately 1,000 newly diagnosed patients have been enrolled through several sites (i.e., hospitals, academic medical centers and other community health centers) across the country. No experimental drug is used in the study, rather, blood and bone marrow samples are taken from the patients periodically over the course of their treatment. The standard of care (i.e., drugs and treatment) for each patient is determined by such patient's personal physician. The tissue samples collected are placed in a bio-bank. An unrelated, third party, not-for-profit biomedical research institute then performs laboratory tests on a portion of each of the samples resulting in genomic data about each patient.

In 2015, CoMMpass was closed to new enrollment with approximately 1,150 patients who are being followed for a period of 8 years until 2023. In December 2016, the MMRF launched a similar sample/data sharing collaboration with ECOG, (the "Eastern Cooperative Oncology Group"). The initiative is now closed to enrollment and accrued approximately 100 new samples.

The Multiple Myeloma Research Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

13. Lease Commitments

The MMRF leases office space under an operating lease that expires on February 28, 2026. Minimum annual rentals under the lease at December 31, 2019 are payable as follows:

Year ending December 31,	Minimum Lease Commitment
2020	\$ 318,122
2021	323,777
2022	329,433
2023	335,088
2024	340,744
Thereafter	404,839
	<u>\$ 2,052,003</u>

Rent expense amounted to approximately \$223,000 and \$267,000 for 2019 and 2018.

14. 403(b) Plan

The MMRF sponsors a 403(b) plan (the "Plan") covering all employees. The Plan requires the MMRF to contribute 4% of all participants' allowable compensation as defined by the Plan. Total expense for 2019 and 2018, was approximately \$210,000 and \$166,000, respectively.

15. Subsequent Events

The MMRF's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the MMRF could experience a disruption in donations, fundraising activities, and research activities. As a result of the outbreak, the MMRF has had to halt their clinical trials. The outbreak is likely to adversely affect the MMRF business, financial conditions and results of operations on an interim basis.
