

GASTRIC CANCER FOUNDATION

Millbrae, California

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022



CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	2-3
Exhibits:	
"A" Statements of Financial Position	4
"B" Statements of Activities and Changes in Net Assets	5-6
"C" Statements of Cash Flows	7
"D" Statements of Functional Expenses	8
Notes to Financial Statements	9-14



INDEPENDENT AUDITOR'S REPORT

Page 1 of 2

Board of Directors
Gastric Cancer Foundation
Millbrae, California

Opinion

We have audited the accompanying financial statements of Gastric Cancer Foundation, (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Gastric Cancer Foundation as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Gastric Cancer Foundation, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Gastric Cancer Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

BLACKMAN & SLOOP, CPAS, P.A.

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530
The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517
www.b-scpa.com • email:cpa@b-scpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 controls 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 Gastric Cancer Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gastric Cancer Foundation's, ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blackman & Sloop

Chapel Hill, North Carolina
April 11, 2024

GASTRIC CANCER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

As of the Years Ended December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 834,469	\$ 861,643
Accounts receivable	-	120,203
Grants and contributions receivable	25,000	25,000
Prepaid expenses and other assets	2,065	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 861,534</u>	<u>\$ 1,006,846</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 5,143	\$ -
Accrued payroll and related liabilities	-	5,478
Grants payable	400,000	308,000
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>405,143</u>	<u>313,478</u>
NET ASSETS:		
Without donor restrictions	431,391	618,368
With donor restrictions	25,000	75,000
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>456,391</u>	<u>693,368</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 861,534</u>	<u>\$ 1,006,846</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GASTRIC CANCER FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended September 30, 2023 and 2022

Page 1 of 2

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Totals
SUPPORT AND REVENUE:				
SUPPORT:				
Grants and contributions	\$ 459,026	\$ 25,000	\$ 484,026	\$ 624,921
Contributed nonfinancial assets	-	-	-	12,188
TOTAL SUPPORT	<u>459,026</u>	<u>25,000</u>	<u>484,026</u>	<u>637,109</u>
REVENUE:				
Other income	98	-	98	117
Realized loss	-	-	-	(44)
TOTAL REVENUE	<u>98</u>	<u>-</u>	<u>98</u>	<u>73</u>
	459,124	25,000	484,124	637,182
Net assets released from restrictions	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>534,124</u>	<u>(50,000)</u>	<u>484,124</u>	<u>637,182</u>
EXPENSES:				
Program services	542,383	-	542,383	398,426
Management and general	148,198	-	148,198	126,171
Fundraising	30,520	-	30,520	34,188
TOTAL FUNCTIONAL EXPENSES	<u>721,101</u>	<u>-</u>	<u>721,101</u>	<u>558,785</u>
Loss from bad debts	-	-	-	491
TOTAL EXPENSES	<u>721,101</u>	<u>-</u>	<u>721,101</u>	<u>559,276</u>
CHANGES IN NET ASSETS	(186,977)	(50,000)	(236,977)	77,906
NET ASSETS - BEGINNING OF YEAR	<u>618,368</u>	<u>75,000</u>	<u>693,368</u>	<u>615,462</u>
NET ASSETS - END OF YEAR	<u>\$ 431,391</u>	<u>\$ 25,000</u>	<u>\$ 456,391</u>	<u>\$ 693,368</u>

GASTRIC CANCER FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended September 30, 2023 and 2022

Page 2 of 2

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
SUPPORT:			
Grants and contributions	\$ 474,921	\$ 150,000	\$ 624,921
Contributed nonfinancial assets	12,188	-	12,188
TOTAL SUPPORT	487,109	150,000	637,109
REVENUE:			
Other income	117	-	117
Realized loss	(44)	-	(44)
TOTAL REVENUE	73	-	73
	487,182	150,000	637,182
Net assets released from restrictions	200,000	(200,000)	-
TOTAL SUPPORT AND REVENUE	687,182	(50,000)	637,182
EXPENSES:			
Program services	398,426	-	398,426
Management and general	126,171	-	126,171
Fundraising	34,188	-	34,188
TOTAL FUNCTIONAL EXPENSES	558,785	-	558,785
Loss from bad debts	491	-	491
TOTAL EXPENSES	559,276	-	559,276
CHANGES IN NET ASSETS	127,906	(50,000)	77,906
NET ASSETS - BEGINNING OF YEAR	490,462	125,000	615,462
NET ASSETS - END OF YEAR	\$ 618,368	\$ 75,000	\$ 693,368

GASTRIC CANCER FOUNDATION

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (236,977)	\$ 77,906
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	120,203	(119,168)
Grants and contributions receivable	-	491
Prepaid expenses and other assets	(2,065)	-
Accounts payable	5,143	(1,409)
Accrued payroll and related liabilities	(5,478)	(9,126)
Grants payable	<u>92,000</u>	<u>308,000</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(27,174)</u>	<u>256,694</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(27,174)	256,694
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>861,643</u>	<u>604,949</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 834,469</u>	<u>\$ 861,643</u>
SUPPLEMENTAL DISCLOSURES:		
Non-cash activity:		
Contributed nonfinancial assets	<u>\$ -</u>	<u>\$ 12,188</u>
Donated stock	<u>\$ 2,139</u>	<u>\$ 10,393</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GASTRIC CANCER FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended September 30, 2023 and 2022

	2023			
	Program Services	Management and General	Fundraising	Totals
Grants to others	\$ 450,000	\$ -	\$ -	\$ 450,000
Salaries and payroll taxes	40,180	100,546	24,108	164,834
Professional fees	24,190	32,656	3,047	59,893
Other expenses	25,112	3,330	-	28,442
Office expenses	1,740	7,161	-	8,901
Insurance	-	3,429	-	3,429
Fall campaign expenses	-	-	3,365	3,365
Travel expenses	1,161	584	-	1,745
Advertising and marketing	-	492	-	492
TOTAL FUNCTIONAL EXPENSES	\$ 542,383	\$ 148,198	\$ 30,520	\$ 721,101
	2022			
	Program Services	Management and General	Fundraising	Totals
Grants to others	\$ 318,000	\$ -	\$ -	\$ 318,000
Salaries and payroll taxes	35,683	85,639	21,410	142,732
Professional fees	18,301	23,502	8,825	50,628
Other expenses	24,000	2,728	266	26,994
Office expenses	1,873	10,706	1,789	14,368
Insurance	-	3,534	-	3,534
Fall campaign expenses	-	-	1,898	1,898
Advertising and marketing	569	62	-	631
TOTAL FUNCTIONAL EXPENSES	398,426	126,171	34,188	558,785
Loss from bad debts	-	491	-	491
TOTAL EXPENSES	\$ 398,426	\$ 126,662	\$ 34,188	\$ 559,276

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GASTRIC CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Page 1 of 6

ORGANIZATION

Gastric Cancer Foundation (the “Foundation”) is a nonprofit corporation whose mission is to improve the lives of people who are affected by gastric cancer and to work with leading researchers to find a cure. The Foundation funds research that increases understanding of the disease and focuses on developing better diagnostics and treatments and ultimately a cure. The Foundation supports patients with reliable and useful information and resources, and a compassionate community that truly understands.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting.

The Foundation’s financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the use of certain estimates made by the Foundation’s management. Accordingly, revenues and support are recognized when earned, and expenses are recognized when the obligation is incurred.

The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated 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 and changes in net assets as net assets released from restrictions.

B. Cash and Cash Equivalents.

Cash and cash equivalents consist of monies on deposit at financial institutions and money market funds. At times, the Foundation places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Foundation has not experienced any financial loss related to such deposits.

C. Accounts, Grants and Contributions Receivable.

Receivables that are expected to be collected within one year, are recorded at net realizable value and are recognized as support and assets in the period received. 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 discount is included in revenue in the statements of activities and changes in net assets. Conditional grants and contributions are recognized when conditions on which they depend are substantially met.

The Foundation provides an allowance for uncollectible accounts equal to the estimated losses that are expected to be incurred in collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. As of September 30, 2023 and 2022, management deemed all accounts, grants and contributions receivable fully collectible.

GASTRIC CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Page 2 of 6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Contributed Nonfinancial Assets.

The Foundation recognizes contributed services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donation. Contributed nonfinancial assets are recorded at fair value at the time of donation. The Foundation did not monetize any contributed nonfinancial assets and, unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

E. Revenue and Revenue Recognition.

Revenue from grants and contributions is recognized when cash, securities or other assets, an unconditional promise to give, a grant award letter, or other notification is received. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions.

Conditional grants and contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions upon which they depend have been substantially met. There are no conditional grants at September 30, 2023 and 2022.

Revenue from contracts which are deemed to be exchange transactions are recognized as revenue without donor restrictions as performance obligations are completed either over time or at a point in time. Deferred revenue from exchange transactions results when cash receipts exceed revenue recognized. There is no revenue from contracts with customers in the years ended September 30, 2023 and 2022.

F. Net Assets.

Net assets, support and revenue, and gains and losses are classified based on the existence or absence of donor-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 restrictions. These resources include amounts generated from operations and undesignated gifts.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

GASTRIC CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Page 3 of 6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Grant Expense.

Grant expense is recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. The Foundation's board reviews grant applications and selects grant recipients. Funds were disbursed by management in the years ended September 30, 2023 and 2022. Annual reporting is required from all grantees.

H. Estimates.

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

I. Advertising and Marketing.

Advertising and marketing costs totaling \$492 and \$631, respectively, during the years ended September 30, 2023 and 2022, were expensed as incurred.

J. Income Tax.

The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foundation is exempt from state income taxes under section 23701(d) of the California Revenue and Taxation Code. If applicable, the Foundation reports interest and penalties related to unrecognized tax positions as interest expense under management and general expenses.

K. New Accounting Pronouncement.

In February 2016, the Financial Standards Accounting Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Implementation of this standard did not have a material impact on the financial statements.

GASTRIC CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Page 4 of 6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Consideration of Future Accounting Principle Changes.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard will be effective for the year ending June 30, 2024. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following at September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 834,469	\$ 861,643
Accounts receivable	-	120,203
Grants and contributions receivable	<u>25,000</u>	<u>25,000</u>
	859,469	1,006,846
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor	-	(50,000)
Designation by board as operating reserve	<u>(200,000)</u>	<u>(200,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 659,469</u>	<u>\$ 756,846</u>

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The majority of the Foundation's expenditures consist of salaries and wages, professional fees, and grants to others. The bulk of these are for various program activities, which will vary depending on grants received. As such, the expenses would be decreased or eliminated completely if funding was not available. Additionally, the \$200,000, designated by the board as an operating reserve could be undesignated and utilized for general expenditures if considered necessary. Ultimately, management will adjust spending in accordance with funding sources. Management believes financial assets available to meet cash needs for general expenditures within one year to be sufficient.

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions includes \$200,000, both at September 30, 2023 and 2022, designated by the board of directors as an operating reserve.

GASTRIC CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Page 5 of 6

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Research	\$ -	\$ 50,000
Restricted for time	<u>25,000</u>	<u>25,000</u>
	<u>\$ 25,000</u>	<u>\$ 75,000</u>

CONCENTRATIONS

Grants and contributions receivable from one donor represents 100% of total grants and contributions receivable both at September 30, 2023 and 2022.

CONTRIBUTED NONFINANCIAL ASSETS

The Foundation recognizes contributed services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Foundation. The Foundation received donated accounting and donor management services totaling \$12,188 for the year ended September 30, 2022 from The V Foundation. These contributed services have been recognized in the accompanying financial statements as contributed nonfinancial assets, and professional fees at their estimated value. The value was determined by the amount paid to the individuals performing services, for the portion of their time estimated to the Foundation. The cost of the services provided was allocated to management and general and fundraising expenses in the statements of functional expenses based on the estimate of time worked in each functional area. All contributed nonfinancial assets were utilized during the year they were received for accounting and donor management services, and there were no donor-imposed restrictions associated with the contributed nonfinancial assets. In March 2023, the Foundation parted ways with The V Foundation and the accounting and donor management services being provided by The V Foundation was discontinued.

Additionally, numerous volunteers have donated significant amounts of their time and services to the Foundation for program and supporting activities, and the Foundation's board of directors serve without compensation. The financial statements do not reflect the value of these services donated by volunteers, as they do not meet recognition criteria prescribed by U.S. GAAP.

GASTRIC CANCER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Page 6 of 6

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited based on specific identification of expenditures and management estimates of time and resources devoted to those functions. Salaries and payroll taxes, professional fees, and office expenses are allocated on the basis of estimates of time and effort, and certain office expenses are allocated based on the purpose of the expenditure. Other expenses are directly coded to the appropriate function as incurred.

COMMITMENTS

The Foundation has a subscription agreement with another organization that includes an annual subscription fee of \$12,000. The agreement has no end date but can be terminated by either party within sixty days.

CONTINGENCIES

The Foundation is the recipient of grants for specific purposes that are subject to review and final audit by the grantor agencies. Such review and audit could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under the compliance terms of the grant.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through April 11, 2024, which was the date that the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements.