

RALLY FOUNDATION, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
MARCH 31, 2020 AND 2019

RALLY FOUNDATION, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2020 AND 2019
TABLE OF CONTENTS

	<u>Page (s)</u>
Independent Auditors' Report	1-2
Statements of Financial Position as of March 31, 2020 and 2019	3
Statement of Activities for the year ended March 31, 2020	4
Statement of Activities for the year ended March 31, 2019	5
Statement of Functional Expenses for the year ended March 31, 2020	6
Statement of Functional Expenses for the year ended March 31, 2019	7
Statements of Cash Flows for the years ended March 31, 2020 and 2019	8
Notes to Financial Statements	9-22



ACCOUNTANTS & CONSULTANTS
1131 Campus Drive West · Morganville, New Jersey 07751
Phone (732) 536-5595 · Fax (732) 536-5592 · Web: www.vfgcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rally Foundation, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Rally Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rally Foundation, Inc. as of March 31, 2020 and 2019, 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.

Vision Financial Group CPAs LLP

Morganville, NJ

July 26, 2020

RALLY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,370,126	\$ 3,433,939
Promises to give	65,389	5,516
Investments	3,522,128	1,918,477
Prepaid expenses	<u>13,150</u>	<u>18,399</u>
TOTAL CURRENT ASSETS	\$ 4,970,793	\$ 5,376,331
Endowment investments	1,034,516	1,183,934
Property and equipment, net	<u>1,036</u>	<u>1,420</u>
TOTAL ASSETS	<u>\$ 6,006,345</u>	<u>\$ 6,561,685</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and credit cards payable	\$ 117,365	\$ 21,498
Accrued expenses	20,932	30,585
Grants payable	3,188,750	2,906,250
Deferred revenue	<u>40,596</u>	<u>57,386</u>
TOTAL LIABILITIES (ALL CURRENT)	<u>\$ 3,367,643</u>	<u>\$ 3,015,719</u>
NET ASSETS		
Without donor restrictions	1,604,186	2,362,032
Without donor restrictions - board designated endowment	992,796	1,129,119
With donor restrictions - endowment	<u>41,720</u>	<u>54,815</u>
TOTAL NET ASSETS	<u>\$ 2,638,702</u>	<u>\$ 3,545,966</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,006,345</u>	<u>\$ 6,561,685</u>

See accompanying notes.

RALLY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	Without Donor Restrictions - Board Designated Endowment	With Donor Restrictions - Endowment	TOTAL
OPERATING ACTIVITIES				
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 2,435,294	\$ -	\$ -	\$ 2,435,294
In-kind contributions	253,507	-	-	253,507
Special events revenue, gross	1,915,581	-	-	1,915,581
Miscellaneous revenue	140,203			140,203
Net assets released from restriction	28,302	(28,302)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	4,772,887	(28,302)	-	4,744,585
EXPENSES				
Program expense				
Grant	3,565,220	-	-	3,565,220
Education and awareness	862,260	-	-	862,260
Fundraising	197,334	-	-	197,334
Fundraising - special events	640,680			640,680
Administration	100,658	-	-	100,658
TOTAL EXPENSES	5,366,152	-	-	5,366,152
NET OPERATING ACTIVITIES	(593,265)	(28,302)	-	(621,567)
NONOPERATING ACTIVITIES				
Interest income	1,331	-	-	1,331
Investment return, net	(165,912)	(108,021)	(13,095)	(287,028)
TOTAL NONOPERATING ACTIVITIES	(164,581)	(108,021)	(13,095)	(285,697)
CHANGE IN NET ASSETS	(757,846)	(136,323)	(13,095)	(907,264)
NET ASSETS AT BEGINNING OF YEAR	2,362,032	1,129,119	54,815	3,545,966
NET ASSETS AT END OF YEAR	\$ 1,604,186	\$ 992,796	\$ 41,720	\$ 2,638,702

See accompanying notes.

RALLY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	Without Donor Restrictions	Without Donor Restrictions - Board Designated Endowment	With Donor Restrictions - Endowment	TOTAL
OPERATING ACTIVITIES				
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 3,680,492	\$ -	\$ -	\$ 3,680,492
In-kind contributions	157,508	-	-	157,508
Special events revenue, gross	1,672,000	-	-	1,672,000
Net assets released from restriction	189,024	(50,000)	(139,024)	-
TOTAL PUBLIC SUPPORT AND REVENUES	5,699,024	(50,000)	(139,024)	5,510,000
EXPENSES				
Program expense				
Grant	3,100,447	-	-	3,100,447
Education and awareness	614,182	-	-	614,182
Fundraising	186,116	-	-	186,116
Fundraising - special events	531,245	-	-	531,245
Administration	93,881	-	-	93,881
TOTAL EXPENSES	4,525,871	-	-	4,525,871
NET OPERATING ACTIVITIES	1,173,153	(50,000)	(139,024)	984,129
NONOPERATING ACTIVITIES				
Interest income	2,905	-	-	2,905
Investment return, net	60,417	56,031	4,815	121,263
TOTAL NONOPERATING ACTIVITIES	63,322	56,031	4,815	124,168
CHANGE IN NET ASSETS	1,236,475	6,031	(134,209)	1,108,297
NET ASSETS AT BEGINNING OF YEAR	1,125,557	1,123,088	189,024	2,437,669
NET ASSETS AT END OF YEAR	\$ 2,362,032	\$ 1,129,119	\$ 54,815	\$ 3,545,966

See accompanying notes.

RALLY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

	PROGRAM SERVICES		SUPPORTING SERVICES			
	<u>Grants</u>	<u>Education and Awareness</u>	<u>Fundraising</u>	<u>Special Events - Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 3,405,852	\$ -	\$ -		\$ -	\$ 3,405,852
Salaries and benefits	89,590	569,312	71,857	190,630	68,450	989,839
Accounting and audit fees	-	950	-	-	8,550	9,500
Depreciation	323	2,186	231	-	337	3,077
Insurance	901	6,112	644	-	942	8,599
Meals and entertainment	3,318	27,292	25,307	36,819	-	92,736
Office expenses	3,916	29,646	16,960	26,101	4,092	80,715
Outside services	31,793	90,793	14,331	320,243	10,627	467,787
Postage and printing	-	-	20,384	-	-	20,384
Rent	7,334	49,736	5,242	-	7,660	69,972
Supplies	3,770	23,495	30,910	49,767	-	107,942
Travel	2,871	16,083	3,692	9,344	-	31,990
Website maintenance	15,552	46,655	7,776	7,776	-	77,759
TOTAL EXPENSES	\$ 3,565,220	\$ 862,260	\$ 197,334	\$ 640,680	\$ 100,658	\$ 5,366,152

See accompanying notes

RALLY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	PROGRAM SERVICES		SUPPORTING SERVICES			
	<u>Grants</u>	<u>Education and Awareness</u>	<u>Fundraising</u>	<u>Special Events - Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 2,961,483	\$ -	\$ -		\$ -	\$ 2,961,483
Salaries and benefits	84,972	404,671	71,955	161,845	57,359	780,802
Accounting and audit fees	-	1,264	-	-	11,372	12,636
Depreciation	953	4,238	758	-	1,196	7,145
Insurance	1,115	4,955	887	-	1,398	8,355
Meals and entertainments	7,494	10,461	27	4,057	19	22,058
Office expenses	4,541	27,450	10,864	59,312	5,701	107,868
Outside services	30,998	96,001	35,618	251,471	7,216	421,304
Postage and printing	-	-	24,940	-	-	24,940
Rent	7,668	34,089	6,100	-	9,620	57,477
Supplies	162	21,372	31,230	46,410	-	99,174
Travel	16	6,546	3,214	7,627	-	17,403
Website maintenance	1,045	3,135	523	523	-	5,226
TOTAL EXPENSES	\$ 3,100,447	\$ 614,182	\$ 186,116	\$ 531,245	\$ 93,881	\$ 4,525,871

See accompanying notes

RALLY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (907,264)	\$ 1,108,297
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,077	7,145
Donated securities	(9,955)	(5,161)
Net unrealized losses (gains) on investments	383,193	(47,135)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	(59,873)	14,984
Decrease (increase) in prepaid expenses	5,249	(17,399)
(Increase) in interest earned on certificates of deposit	(1,294)	(2,590)
Increase in accounts and credit cards payable	95,867	5,637
(Decrease) increase in accrued expenses	(9,653)	20,807
Increase in grants payable	282,500	721,250
(Decrease) increase in deferred revenue	(16,790)	57,386
Net cash (used in) provided by operating activities	<u>(234,943)</u>	<u>1,863,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,693)	(6,761)
Proceeds from sale of marketable securities	827,260	74,149
Purchase of marketable securities	<u>(2,653,437)</u>	<u>(469,023)</u>
Net cash (used in) investing activities	<u>(1,828,870)</u>	<u>(401,635)</u>
Net (decrease) increase in cash and cash equivalents	(2,063,813)	1,461,586
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 3,433,939</u>	<u>1,972,353</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,370,126</u></u>	<u><u>\$ 3,433,939</u></u>
Supplemental cash flows information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Rally Foundation, Inc. (the “Organization”), a non-profit organization located in Atlanta, Georgia, empowers volunteers across the United States to raise awareness and funds specifically for childhood cancer research to find better treatments with fewer long-term side effects and, ultimately, cures for childhood cancers. Rally Foundation receives most of its support from contributions made by individuals, businesses, and foundations located throughout the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

These financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Promises to give represent amounts pledged to benefit Organization before March 31, 2020 and 2019. Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period the pledge is received. Conditional promises to give are recognized when the conditions on

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (continued)

which they depend are substantially met. At March 31, 2020 and 2019, one donor accounted for 96% and 100% of the total combined promises to give, respectively.

Property and Equipment

Property and equipment are stated at cost for purchased assets or at fair value on the date of donation for donated assets. Property and equipment that exceed \$1,000 are capitalized as assets. Depreciation is provided using the straight-line method over the estimated useful life - currently five years or less. The costs of repairs and maintenance are expensed as incurred.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consisted of cash in bank deposit accounts and brokerage accounts which at times exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investment Protection Corporation (SIPC). Rally Foundation has not experienced any losses in these accounts.

Grants Payable

Grant commitments are recognized as liabilities at the time unconditional grants are authorized and expensed by the Organization, regardless of the year in which they are paid.

Program Revenue Recognition

Revenues received in exchange for participation in programs or other services are deferred and recognized when the program occurs, or the services are provided.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

For the years ended March 31, 2020 and 2019, the Organization received public support in form of contributions totaled \$2,432,294 and \$3,680,492, respectively. The decrease in contributions received was driven by a cancelation of the New York Marathon Run in the year ended March 31, 2020 due to COVID-19. The New York Marathon Run raised \$1,832,066 in the year ended March 31, 2019, which was recognized as contribution in the accompanying Statement of Activities for the year ended March 31, 2019.

In-kind Goods and Services

Contributed goods have been recorded as contributions at their estimated fair value at the date of receipt. Contributed services are recorded as in-kind contributions at rates that would have been paid for similar services in an arms-length transaction and are recognized as revenue if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized by the Organization.

Contributed goods, services and use of contributed facilities for the years ended March 31, 2020 and 2019 totaled \$253,507 and \$157,508 and are reported as in-kind contributions and program and supporting services on the accompanying statements of activities and functional expenses.

Many individuals volunteer their time and perform a variety of tasks that assist Organization with specific program and supporting services. The value of these services does not meet the above criteria for recognition in the financial statements and the value of the volunteer time is not reflected in these financial statements.

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses based upon receipt of expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon time devoted to various activities by the employees of the Organization or the type of services provided to the Organization.

Advertising Costs

The Organization follows the policy of charging the cost of advertising to expense as incurred. At March 31, 2020 and 2019, advertising costs were \$20,384 and \$24,940, respectively, and presented as postage and printing expenses on the accompanying statements of functional expenses.

Reclassification

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. What was previously known as unrestricted net assets is now called net assets without donor restrictions. Permanently restricted and temporarily restricted net assets are combined into net assets with donor restrictions. These reclassifications have no effect on previously reported change in net assets.

NOTE 3 - PROMISES TO GIVE

As of March 31, 2020 and 2019, the promises to give totaled \$65,389 and \$5,516, respectively. The Organization's promises to give are expected to be collected within one year. As such, no tabular disclosure is included. There were not any conditional pledges receivable at March 31, 2020 and 2019.

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
Equities	\$ 699,539	\$ 844,894
Fixed income	174,356	164,534
Mutual funds	3,682,749	2,092,983
Total	<u>\$ 4,556,644</u>	<u>\$ 3,102,411</u>

Investments are presented on the statement of financial position for the years ended March 31 as follows:

	<u>2020</u>	<u>2019</u>
Investments	\$ 3,522,128	\$ 1,918,477
Endowment investments	1,034,516	1,183,934
Total	<u>\$ 4,556,644</u>	<u>\$ 3,102,411</u>

Investment return consisted of the following for the years ended March 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 110,643	\$ 87,488
Realized gains	5,557	1,047
Unrealized (losses) gains	(388,750)	46,088
Investment fees	(14,478)	(13,360)
Total investment return, net	<u>\$ (287,028)</u>	<u>\$ 121,263</u>

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities.

All investments held by the Organization are valued using Level 1 inputs.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2020 and 2019.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Organization at fiscal year-end. Equities and Fixed Income Funds - Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 13,556	\$ 13,556
Office and computer equipment	19,959	17,266
Software	<u>5,761</u>	<u>5,761</u>
Total property and equipment	39,276	36,583
Less: accumulated depreciation	<u>(38,240)</u>	<u>(35,163)</u>
Property and equipment (net)	<u><u>\$ 1,036</u></u>	<u><u>\$ 1,420</u></u>

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 5 – PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense relating to property and equipment for the years ended March 31, 2020 and 2019 was \$3,077 and \$7,145, respectively.

NOTE 6 - GRANTS PAYABLE

The grants payable represents the net present value of commitments approved by the board of directors to fund specific pediatric cancer research projects. The grants payable consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
Gross grants payable	<u>\$ 3,188,750</u>	<u>\$ 2,906,250</u>
The gross amounts of grants payable are due as follows:		
Less than one year	\$ 3,188,750	\$ 2,906,250
One to five years	<u>-</u>	<u>-</u>
	<u><u>\$ 3,188,750</u></u>	<u><u>\$ 2,906,250</u></u>

NOTE 7 - CONTINGENT GRANTS PAYABLE

The Board of Directors approved conditional research grants totaling \$634,500 to specific recipients be awarded in fiscal year ended March 31, 2021. These grants were evaluated in March 2020 for possible distribution based on progress of the research for awards made in fiscal year ending March 31, 2020, and proper utilization of those funds received previously. Based on this evaluation, the funds for the fiscal year ending March 31, 2022 will be distributed in two payments in July 2021 and January 2022.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Liquidity

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Organization receives support without donor restrictions.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Liquidity (continued)

- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that grant commitments will continue to be met, ensuring the sustainability of the Organization.

Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, consisted of the following as of March 31:

	2020	2019
Cash and cash equivalents	\$ 1,370,126	\$ 3,433,939
Promises to give, current portion	65,389	5,516
Investments	4,556,644	3,102,411
Total financial assets	5,992,159	6,541,866
Endowment investments	(1,034,516)	(1,183,934)
Add back: endowment funds for general use	-	129,119
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,957,643</u>	<u>\$ 5,487,051</u>

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), to establish the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The standard is effective for fiscal years beginning after December 15, 2021, for nonpublic companies. The Foundation is evaluating the impact this topic will have on the financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies and improves the accounting guidance on whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. In addition, it provides a more robust framework for determining whether a contribution is conditional which affects the timing of contribution revenue and expense recognition. It does not apply to transfers of assets from governments. The guidance is applicable for transactions where the entity serves as the resource recipient for fiscal years beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider for fiscal years beginning after December 15, 2019. The Foundation is evaluating the impact this topic will have on the financial statements.

NOTE 10 - ENDOWMENTS

The Organization's endowment consists one donor-restricted fund and one quasi endowment fund designated by the Board of Directors to function similarly to an endowment. As required by US GAAP net assets associated with endowment funds, including funds designated by the Board of Directors to function similarly to an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund representing accumulated earnings is held as net assets with donor restriction until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 10 – ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (continued)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiency of this nature exists in one donor-restricted endowment fund, which has an original gift value of \$50,000, a current fair value of \$41,720, and a deficiency of \$8,280 as of March 31, 2020. This deficiency resulted from unfavorable market fluctuations that occur after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs as deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Board has adopted an investment and spending policy for the endowment designed to provide growth of the fund corpus to support spending needs while preserving purchasing power in real terms and minimizing tear-to-year fluctuations in the value of the portfolio. To achieve these objectives, endowment assets are invested in a well-diversified, balanced portfolio intended to capture the broad market return. This means the portfolio assumes moderate investment risk consistent with the broad market.

Strategies Employed for Achieving Objectives

The Organization utilize a total return strategy, with investment returns achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Because the Organization seek to balance current spending with maintenance of purchasing power over the long term, the asset allocation of the portfolio favors equity investments, but within an overall balanced portfolio.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization's current spending policy allows management to spend the realized gains and income earned each year from each endowment fund on the purpose of that fund if the corpus does not fall below the original principal balance. The calculation of the earnings is performed once a year of each year at the regular Board meeting. The "target goal" will be

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 10 – ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to the Spending Policy (continued)

between 3% and 5% of the Endowment to allow the Endowment to grow and meet the needs of the Organization.

Endowment net assets by fund type as of March 31, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restriction		
		Accumulated Earnings	Endowment Corpus	2020 Total
Board-designated endowment funds	\$ 992,796	\$ -	\$ -	\$ 992,796
Donor-restricted endowment funds	-	(8,280)	50,000	41,720
Total Endowment Funds	<u>\$ 992,796</u>	<u>\$ (8,280)</u>	<u>\$ 50,000</u>	<u>\$ 1,034,516</u>

Endowment net assets by fund type as of March 31, 2019, as adjusted:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restriction		
		Accumulated Earnings	Endowment Corpus	2019 Total
Board-designated endowment funds	\$ 1,129,119	\$ -	\$ -	\$ 1,129,119
Donor-restricted endowment funds	-	4,815	50,000	54,815
Total Endowment Funds	<u>\$ 1,129,119</u>	<u>\$ 4,815</u>	<u>\$ 50,000</u>	<u>\$ 1,183,934</u>

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 10– ENDOWMENTS (CONTINUED)

Changes to endowment net assets for the years ended March 31, 2020 and 2019, are as follows:

	Net Assets without Donor Restriction	Net Assets with Donor Restriction		
	Board Designated	Accumulated Earnings	Endowment Corpus	Total
Endowment net assets, April 1, 2018	\$ 1,123,088	\$ 8,078	\$ 50,000	\$ 1,181,166
Investment return:				
Investment income	31,160	3,202	-	34,362
Investment fees	(9,841)	(1,000)	-	(10,841)
Net appreciation	34,712	2,613	-	37,325
Amounts appropriated for expenditure	(50,000)	(8,078)	-	(58,078)
Endowment net assets, March 31, 2019, as adjusted	\$ 1,129,119	\$ 4,815	\$ 50,000	\$ 1,183,934
Investment return:				
Investment income	37,209	3,815	-	41,024
Investment fees	(9,222)	(996)	-	(10,218)
Net depreciation	(136,008)	(15,914)	-	(151,922)
Amounts appropriated for expenditure	(28,302)	-	-	(28,302)
Endowment net assets, March 31, 2020	\$ 992,796	\$ (8,280)	\$ 50,000	\$ 1,034,516

NOTE 11 – NET ASSETS RESTATEMENT

The balance of net assets without donor restriction - board designated and accumulated earnings of endowment corpus at the end of fiscal year ended March 31, 2019 has been restated. The restatement reduced the net assets without donor restriction – board designated by \$54,815, and increased the accumulated earnings of endowment corpus by \$4,815. The correction has no effect on the total of net assets, as presented in the accompanying Statement of Financial Position as of March 31, 2019.

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Organization has a 403(b) retirement plan available to all eligible employees. Participants may elect to contribute up to the maximum amounts allowed by law. The Organization fully matches the employee's allowed contribution up to 4% of salary. The Organization made contributions of \$16,789 and \$14,939 to the retirement plan in fiscal years ended March 31, 2020 and 2019, respectively. These contributions are included in Salaries and Benefits in the accompanying Statements of Functional Expenses.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 26, 2020, the date on which the financial statements were available to be issued.

As a result of the spread of the COVID-19 pandemic, economic uncertainties have arisen and there has been and will continue to be an impact to Organization's operations and financial position for the year ended March 31, 2021.

In April 2020, the Organization had to postpone three of its signature events, Rally on the Runway in Atlanta, Nashville and Pensacola, in addition to several other community events, which resulted in the loss of income of approximately over \$1,000,000. As the COVID-19 situation continues to evolve, the management estimates an additional impact on Organization's fundraising abilities, including a negative impact to Organization's corporate partners, major donors and sponsors.

In April 2020, the Organization applied for and received a loan of \$176,200 from the Paycheck Protection Program (PPP) created as part of the relief efforts in response to COVID-19. The loan is administered by the Small Business Association. The Organization used 100% of the PPP loan for payroll and is eligible for loan forgiveness up to 100%. In response to COVID-19 and after exhausting the PPP, the Organization laid off three staff members, furloughed two staff members three days a week and reduced the senior leadership salaries by 10%.

The Organization has cash and liquid investments to meet its current grant commitments, including multi-year grants which are contingent on progress and Organization's Family Emergency Funds (financial assistance to families fighting childhood cancer).

The management anticipates that Organization's annual Benefit Bash in November 2020, which raises more than \$1,000,000 in revenues will not occur. The Organization is exploring an online version of this event.

The Organization is taking proactive steps during this time of uncertainty and dedicating its resources to raising new funds to support the childhood cancer community in addressing the impact of COVID-19 and the need to find better treatments with fewer long-term side effects and ultimately cures for children battling cancer.

RALLY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 13 - SUBSEQUENT EVENTS (CONTINUED)

In addition, Organization is staying in close communication with its researchers. In July 2020, the Organization surveyed its active researchers to assess current research lab operations and its impact on Organization's funded research. The Organization will continue to be in communication with the researchers making sure the allocated funds are being used to further Organization's mission.

The management believes economically the country as a whole has suffered greatly from the COVID-19 and it is a management's desire to emerge from this crisis in the best financial position possible so that the Organization will return poised to be stronger than ever.