

# **THE EHE FOUNDATION**

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**THE EHE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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# TAYLORROTH

*Certified Public Accountants*

WORKING EXCLUSIVELY WITH NONPROFITS

August 4, 2023

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The EHE Foundation  
Hobart, Wisconsin

### ***Opinion***

We have audited the accompanying financial statements of **The EHE Foundation, Inc.** (a Wisconsin nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 The EHE Foundation, Inc. as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The EHE Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The EHE Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***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 control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The EHE Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The EHE Foundation, Inc.'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.

### ***Report on Summarized Comparative Information***

Other auditors previously audited The EHE Foundation Inc.'s 2021 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated May 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Taylor Roth and Company PLLC*

TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
DENVER COLORADO

**THE EHE FOUNDATION**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,095,140	\$ 1,042,571
Contributions receivable	116	35,000
Grant receivable - multi-year (Note 3)	125,000	-
Prepaid expense	-	33,038
Investments (Note 4)	778,499	917,754
Investment fund - board designated (Note 5)	<u>100,323</u>	<u>10,133</u>
Total assets	<u>\$ 2,099,078</u>	<u>\$ 2,038,496</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 12,882	\$ 14,101
Grants payable - multi-year (Note 3)	<u>275,000</u>	<u>-</u>
	<u>\$ 287,882</u>	<u>\$ 14,101</u>
<u>Net assets</u>		
<u>Without donor restrictions</u>		
Undesignated	1,388,773	1,662,601
Board designated (Note 5)	<u>100,323</u>	<u>10,133</u>
	<u>1,489,096</u>	<u>1,672,734</u>
<u>With donor restrictions (Note 6)</u>	<u>322,100</u>	<u>351,661</u>
Total net assets	<u>1,811,196</u>	<u>2,024,395</u>
Total liabilities and net assets	<u>\$ 2,099,078</u>	<u>\$ 2,038,496</u>

The accompanying notes are an integral part of these financial statements

**THE EHE FOUNDATION**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>Revenue and other support</u>				
Contributions	\$ 266,647	\$ 230,000	\$ 496,647	\$ 478,113
Foundations	370,446	-	370,446	1,000,346
Corporations	3,000	-	3,000	55,200
Reimbursements	1,333	-	1,333	92
Special events	-	-	-	68,876
Less: direct expense	-	-	-	(3,768)
Investment income	(149,065)	-	(149,065)	17,782
Net assets released from restrictions (Note 7)	259,512	(259,512)	-	-
Total revenue and other support	<u>751,873</u>	<u>(29,512)</u>	<u>722,361</u>	<u>1,616,641</u>
<u>Expense</u>				
Program services	814,787	-	814,787	723,524
Supporting services				
Management and general	54,802	-	54,802	20,997
Fundraising	65,971	-	65,971	30,387
Total expense	<u>935,560</u>	<u>-</u>	<u>935,560</u>	<u>774,908</u>
Change in net assets	(183,687)	(29,512)	(213,199)	841,733
Net assets, beginning of year	<u>1,672,783</u>	<u>351,612</u>	<u>2,024,395</u>	<u>1,182,662</u>
Net assets, end of year	<u>\$ 1,489,096</u>	<u>\$ 322,100</u>	<u>\$ 1,811,196</u>	<u>\$ 2,024,395</u>

The accompanying notes are an integral part of these financial statements

**THE EHE FOUNDATION**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>			<u>2021</u>	
	<u>Supporting Services</u>				
		<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>	<u>Total</u>
	<u>Program</u>				
Contract personnel	\$ 469,870	\$ 45,841	\$ 57,301	\$ 573,012	\$ 198,855
Grants to others	275,000	-	-	275,000	519,753
EHE 360 conference production	30,223	-	-	30,223	15,511
Website/social media consultant	15,611	-	7,689	23,300	23,300
Travel	6,786	1,489	-	8,275	-
Equipment and software	7,718	-	-	7,718	3,625
Accounting	-	6,500	-	6,500	5,000
Supplies	5,288	-	-	5,288	132
Bank charges and fees	698	930	698	2,326	2,594
Insurance	1,491	-	-	1,491	1,486
Marketing	826	-	181	1,007	1,379
Shipping	414	40	50	504	2,252
Telephone and internet	437	-	49	486	413
Dues and subscriptions	400	-	-	400	400
All other	25	2	3	30	3,373
	<u>\$ 814,787</u>	<u>\$ 54,802</u>	<u>\$ 65,971</u>	<u>\$ 935,560</u>	<u>\$ 778,073</u>
Total expenses	<u>\$ 814,787</u>	<u>\$ 54,802</u>	<u>\$ 65,971</u>	<u>\$ 935,560</u>	<u>\$ 778,073</u>

The accompanying notes are an integral part of these financial statements

**THE EHE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

	2022	2021
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (213,199)	\$ 841,733
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gains and reinvested dividends and interest on investments	149,065	(17,705)
 <u>Changes in operating assets and liabilities</u>		
Decrease(increase) in contributions receivable	34,884	6,498
Decrease(increase) in grants receivable - multi-year	(125,000)	-
Decrease(increase) in prepaid expense	33,038	(33,038)
Increase(decrease) in accounts payable	(1,219)	10,153
Increase(decrease) in grants payable - multi-year	275,000	-
Net cash provided(used) by operating activities	152,569	807,641
 <u>Cash flows from investing activities</u>		
(Purchases) of investments	(100,000)	(900,000)
Net increase(decrease) in cash and cash equivalents	52,569	(92,359)
Cash and cash equivalents, beginning of year	1,042,571	1,134,930
Cash and cash equivalents, end of year	\$ 1,095,140	\$ 1,042,571

The accompanying notes are an integral part of these financial statements



**THE EHE FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 1 - NATURE OF ACTIVITIES

The EHE Foundation, Inc. is a 501(c)(3) nonprofit corporation founded in 2015 dedicated to pursuing effective treatment for Epithelioid Hemangioendothelioma (EHE) and supporting EHE patients and their families. EHE is a rare vascular sarcoma cancer that affects all age groups from children to elderly. The Organization's mission is to seek treatments and a cure for Epithelioid Hemangioendothelioma (EHE) by increasing awareness, pursuing scientific research, advocating for and supporting EHE patients, and bridging information between researchers, providers and patients. The Organization is primarily supported by contributions and foundations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization, Inc. 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 asset 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, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless those being held for long term investment purposes.

4. Revenue and Revenue Recognition

The Organization 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 with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$2,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Currently, the Foundation is based remotely, so there are no fixed assets.

6. Estimates

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

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Fair Value Measurements

All financial assets and liabilities carried at fair value have been classified for disclosure purposes based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined under methodologies and models with unobservable inputs as follows: Quoted market prices in active markets for identical assets (Level 1); inputs other than quoted market prices that are observable of the asset and liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

9. Functional Reporting of Expenses

For the year ended December 31, 2022, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are determined by management on a rational and systematic basis. Other expenses are assigned directly to the program or functional area benefited.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through August 4, 2023, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE AND GRANTS PAYABLE, MULTI-YEAR

The Organization collaborates with donors and other organizations to fund cancer research. The Organization plays an intricate role in the selection of doctors and the administration of funding. During the year they received a multi-year promise to give and also committed to a multi-year grant payable.

Expected installments are to be received as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 75,000
2024	<u>50,000</u>
Total	<u>\$ 125,000</u>

Expected installments are to be paid as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 175,000
2024	<u>100,000</u>
Total	<u>\$ 275,000</u>

NOTE 4 - INVESTMENTS

At year-end, investments (level 1) consist of:

<u>Description</u>	<u>Fair Value</u>
Cash	\$ 26,033
Equities	<u>752,466</u>
Total	<u>\$ 778,499</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ <u>917,754</u>
Unrealized loss	(153,060)
Dividend income	20,471
Less: account fees	<u>(6,666)</u>
Net investment return	<u>(139,255)</u>
Balance, end of year	<u>\$ 778,499</u>

NOTE 5 - INVESTMENT FUND – BOARD DESIGNATED

In 2019, the Organization established an investment fund with the Columbus Foundation to provide future long-term support. Under the terms of the fund, all income will be reinvested into principal. The board may request a distribution with a two-thirds majority vote, and may request to withdraw the full balance at any time without penalty.

At year-end, the fund had a fair value (Level 3) of \$100,323.

Changes in board designated investment fund net assets for the year ended December 31, 2022 are as follows:

	<u>(Level 3 Inputs)</u>
Balance, beginning of year	\$ 10,133
Additions	100,000
Investment income	1,931
Net appreciation/loss	(11,666)
Less: management fees	<u>(75)</u>
Total investment return	(9,810)
Less: amounts appropriated for expenditure	<u>(-)</u>
Balance, end of year	<u>\$ 100,323</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At year end, net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Retrospective study	\$ 197,100
Use of Pre-clinical EHE Models to Identify Druggable Pathways to Treat EHE	<u>125,000</u>
Total	<u>\$ 322,100</u>

NOTE 7 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Capacity building and research development	\$ 121,887
Use of Pre-clinical EHE Models to Identify Druggable Pathways to Treat EHE	105,000
EHE research program	17,625
Sponsorships	<u>15,000</u>
Total	<u>\$ 259,512</u>

NOTE 8 - CONCENTRATION OF FUNDING SOURCE

For the year ended December 31, 2022, 80% of total revenues was received through three donors.

NOTE 9 - CONCENTRATION OF CREDIT RISK

Cash and cash equivalents of \$328,164 have been placed in a single financial institution. Amounts in excess of \$250,000 are not insured by the FDIC or related entity. Management and the Board have evaluated their banking needs and have determined that the banking relationship is in the best interest of the Organization. As of December 31, 2022, the Organization had \$766,143 in a sweep account that moves funds into other institutions in order to keep all funds securely invested at or below FDIC levels.

NOTE 10 - RELATED EHE PARTNERS

The Organization is a partner of the EHE group, which includes The EHE Foundation (UK) and the EHE Rare Cancer Foundation (Australia). The Organizations share a newsletter but operate and incorporate separately. Each organization maintains a separate board of directors.

NOTE 11 - RELATED PARTIES

During the year, the Organization paid board members \$108,000 for services. The board independently reviewed and approved the compensation arrangement in accordance with their conflict-of-interest policy.

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organizations financial assets at December 31, 2022:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 1,095,140
Grants receivable – multi-year	125,000
Contributions receivable	116
Investments	778,499
Investments – board designated	<u>100,323</u>
Total financial assets	2,099,078
Less amounts not available to meet cash needs for general expenditures within one year due to:	
Donor purpose restrictions	<u>(322,100)</u>
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,776,978</u>

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses. Net assets with donor restrictions are expected to be available for expenditure in the next twelve months.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

During the 2022 audit, it was determined that \$20,000 of individual donations was not accrued as revenue and a receivable in the prior year. Beginning net assets on January 1, 2022, were understated by \$20,000. An adjustment to beginning net assets and individual donations resulted in a \$20,000 increase to the 2022 beginning net assets. Current year change in net assets decreased by \$20,000.