



VASCULAR
CURES

Combined
Financial Statements

**For the years ended
June 30, 2020 and 2019**

With Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Vascular Cures and Pacific Vascular Research Institute

We have audited the accompanying combined financial statements of Vascular Cures and Pacific Vascular Research Institute (a California nonprofit organization) which comprise the combined statements of financial position as of June 30, 2020 and 2019, the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Vascular Cures and Pacific Vascular Research Institute as of June 30, 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.

Danville, California
January 29, 2021

Regalia & Associates

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

**Combined Statements of Financial Position
June 30, 2020 and 2019**

ASSETS

	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 244,787	\$ 359,553
Contributions receivable	335,550	-
Investments	2,565,823	2,615,620
Prepaid expenses	-	1,895
Total current assets	3,146,160	2,977,068
Noncurrent Assets:		
Contributions receivable, net of discount	291,262	-
Property and equipment, net	474	1,912
Total noncurrent assets	291,736	1,912
Total assets	\$ 3,437,896	\$ 2,978,980

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 141	\$ 5,496
Accrued payroll liabilities	9,811	10,811
Loan payable to SBA under the Paycheck Protection Program	56,626	-
Total current liabilities	66,578	16,307
Net assets:		
Without donor restrictions	284,219	416,347
With donor restrictions:		
Time and purpose	1,304,599	763,826
Perpetual in nature	1,782,500	1,782,500
Total net assets	3,371,318	2,962,673
Total liabilities and net assets	\$ 3,437,896	\$ 2,978,980

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

**Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020**

	Net Assets			Total
	Without Donor Restrictions	With Donor Restrictions		
		Time and Purpose	Perpetual in Nature	
Revenue and support:				
Contributions	\$ 336,961	\$ 809,600	\$ -	\$ 1,146,561
In-kind revenue	11,425	-	-	11,425
Event income	7,500	-	-	7,500
Net investment income, net of fees	2,489	(11,212)	-	(8,723)
Net assets released from restriction	248,877	(248,877)	-	-
Change in unamortized discount	-	(8,738)	-	(8,738)
Total revenue and support	607,252	540,773	-	1,148,025
Expenses:				
Program services:				
Vascular Cures Research Network	235,033	-	-	235,033
Project Voice	17,418	-	-	17,418
Wylie Scholar Program	164,586	-	-	164,586
Education and Community Awareness	83,920	-	-	83,920
Binkley Visiting Professor Program	6,756	-	-	6,756
Total program services	507,713	-	-	507,713
General and administrative	90,200	-	-	90,200
Development	141,467	-	-	141,467
Total expenses	739,380	-	-	739,380
Change in net assets before unrealized gain (loss)	(132,128)	540,773	-	408,645
Net assets at beginning of year	416,347	763,826	1,782,500	2,962,673
Net assets at end of year	\$ 284,219	\$ 1,304,599	\$ 1,782,500	\$ 3,371,318

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

**Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019**

	Net Assets			Total
	Without Donor Restrictions	With Donor Restrictions		
		Time and Purpose	Perpetual in Nature	
Revenue and support:				
Contributions	\$ 289,381	\$ 234,200	\$ 280,000	\$ 803,581
In-kind revenue	25,568	-	-	25,568
Event income	134,952	-	-	134,952
Net investment income	2,890	81,194	-	84,084
Net assets released from restriction	302,241	(302,241)	-	-
Total revenue and support	755,032	13,153	280,000	1,048,185
Expenses:				
Program services:				
Vascular Cures Research Network	256,034	-	-	256,034
Project Voice	39,713	-	-	39,713
Wylie Scholar Program	170,781	-	-	170,781
Education and Community Awareness	103,237	-	-	103,237
Binkley Visiting Professor Program	9,033	-	-	9,033
Total program services	578,798	-	-	578,798
General and administrative	92,824	-	-	92,824
Development	158,163	-	-	158,163
Total expenses	829,785	-	-	829,785
Increase (decrease) in net assets	(74,753)	13,153	280,000	218,400
Net assets at beginning of year	491,100	750,673	1,502,500	2,744,273
Net assets at end of year	\$ 416,347	\$ 763,826	\$ 1,782,500	\$ 2,962,673

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

**Combined Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019**

	2020	2019
<i>Operating activities:</i>		
Increase in net assets	\$ 408,645	\$ 218,400
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	1,438	2,515
Bad debt expense	-	4,100
Net realized and unrealized investment losses (gains)	56,209	(33,260)
Change in unamortized discount	8,738	-
Changes in:		
Contributions receivable	(635,550)	200,000
Prepaid expenses	1,895	941
Accounts payable and accrued liabilities	(5,355)	(5,509)
Accrued payroll liabilities	(1,000)	1,606
Net cash provided by (used for) operating activities	(164,980)	388,793
 <i>Investing activities:</i>		
Acquisition of investments and reinvestment of earnings	(47,485)	(469,950)
Proceeds from disposition of investments	41,073	30,233
Net cash provided by (used for) for investing activities	(6,412)	(439,717)
 <i>Financing activities:</i>		
Proceeds from loan payable to SBA under the Paycheck Protection Program	56,626	-
Cash provided by financing activities	56,626	-
Net decrease in cash and cash equivalents	(114,766)	(50,924)
Cash and cash equivalents at beginning of year	359,553	410,477
Cash and cash equivalents at end of year	\$ 244,787	\$ 359,553
 <i>Additional cash flow information:</i>		
State registration taxes paid	\$ 75	\$ 75
Interest paid	\$ -	\$ -

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

Combined Statement of Functional Expenses For the Year Ended June 30, 2020

	Vascular Cures Research Network	Project Voice	Wylie Scholar Program	Education and Community Awareness	Binkley Visiting Professor Program	Total Program Services	General and Administrative	Development	Total
Salaries and wages	\$ 86,782	\$ 16,067	\$ 12,957	\$ 63,855	\$ 2,946	\$ 182,607	\$ 29,309	\$ 60,394	\$ 272,310
Payroll taxes	5,472	842	848	7,401	212	14,775	3,266	4,035	22,076
Health insurance	2,382	376	378	3,394	92	6,622	2,832	1,732	11,186
Total salaries and benefits	94,636	17,285	14,183	74,650	3,250	204,004	35,407	66,161	305,572
Accounting	-	-	-	-	-	-	30,647	-	30,647
Bank and finance charges	-	-	-	-	-	-	2,345	224	2,569
Consulting	-	-	-	-	-	-	-	66,000	66,000
Depreciation	-	-	-	-	-	-	1,438	-	1,438
Events and activities	-	-	-	232	3,475	3,707	-	542	4,249
In-kind services and goods	-	-	-	-	-	-	11,425	-	11,425
Insurance	344	49	55	459	11	918	4,602	226	5,746
IT infrastructure	530	22	22	3,177	4	3,755	620	2,093	6,468
Marketing and communication	-	-	-	3,074	-	3,074	-	2,839	5,913
Miscellaneous	374	62	61	533	16	1,046	276	277	1,599
Office and supplies	1	-	-	1	-	2	20	1	23
Postage and shipping	-	-	-	-	-	-	264	-	264
Professional fees	-	-	108	1,733	-	1,841	1,074	153	3,068
Printing and reproduction	154	-	-	-	-	154	-	-	154
Rent	-	-	-	-	-	-	250	-	250
Research support	136,100	-	150,151	-	-	286,251	-	-	286,251
Telephone and internet	-	-	-	-	-	-	239	-	239
Travel, meals, and meetings	2,894	-	6	61	-	2,961	1,593	2,951	7,505
Totals	\$ 235,033	\$ 17,418	\$ 164,586	\$ 83,920	\$ 6,756	\$ 507,713	\$ 90,200	\$ 141,467	\$ 739,380

See notes to combined financial statements.

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VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

Combined Statement of Functional Expenses For the Year Ended June 30, 2019

	Vascular Cures Research Network	Project Voice	Wylie Scholar Program	Education and Community Awareness	Binkley Visiting Professor Program	Total Program Services	General and Administrative	Development	Total
Salaries and wages	\$ 158,367	\$ 28,794	\$ 17,996	\$ 64,787	\$ -	\$ 269,944	\$ 37,603	\$ 53,989	\$ 361,536
Payroll taxes	12,793	2,326	1,454	5,234	-	21,807	2,908	4,361	29,076
Health insurance	4,253	1,771	1,112	4,066	-	11,202	9,371	3,405	23,978
Total salaries and benefits	175,413	32,891	20,562	74,087	-	302,953	49,882	61,755	414,590
Accounting	-	-	-	-	-	-	26,309	-	26,309
Bad debt expense	-	-	-	-	-	-	4,100	-	4,100
Bank and finance charges	356	-	15	-	-	371	208	7,741	8,320
Consulting	963	-	-	-	-	963	1,556	39,875	42,394
Depreciation	-	-	-	-	-	-	2,515	-	2,515
Events and activities	973	-	-	18,934	4,893	24,800	-	26,302	51,102
In-kind services and goods	-	-	-	7,042	-	7,042	-	18,526	25,568
Insurance	421	76	48	172	-	717	4,281	143	5,141
IT infrastructure	-	-	-	-	-	-	200	-	200
Marketing and communication	250	750	-	1,540	-	2,540	-	1,430	3,970
Miscellaneous	2,739	129	73	280	-	3,221	635	238	4,094
Office and supplies	784	585	47	171	-	1,587	216	142	1,945
Postage and shipping	439	67	-	-	-	506	290	-	796
Printing and reproduction	125	-	-	882	-	1,007	-	1,639	2,646
Rent	-	-	-	-	-	-	894	-	894
Research support	62,460	5,000	150,000	-	4,140	221,600	-	-	221,600
Telephone and internet	477	57	36	129	-	699	122	107	928
Travel, meals, and meetings	10,634	158	-	-	-	10,792	1,616	265	12,673
Totals	\$ 256,034	\$ 39,713	\$ 170,781	\$ 103,237	\$ 9,033	\$ 578,798	\$ 92,824	\$ 158,163	\$ 829,785

See notes to combined financial statements.

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Notes to Combined Financial Statements
June 30, 2020

1. Organization

Vascular Cures, formerly the Pacific Vascular Research Foundation, is a nonprofit public benefit corporation that was incorporated in California on March 29, 1982. The organization changed its name in April 2008 to The Foundation for Accelerated Vascular Research, and then again on November 13, 2009 to Vascular Cures – The Foundation for Accelerated Vascular Research, and once again on April 1, 2010 to Vascular Cures.

Vascular Cures receives financial support from the general public and grant giving institutions and foundations, and supports health programs and medical research in the area of vascular disease by the use of grants and contributions.

In July 1999, VC formed the Pacific Vascular Research Institute (the “Institute”), a nonprofit public benefit corporation. The Institute provides funds to a vascular research laboratory, known as the Laboratory for Accelerated Vascular Research (“LAVR”), within the Parnassus facilities of the University of California, San Francisco (“UCSF”). The Institute is managed by leaders of Vascular Cures and does not receive independent funding.

Vascular Cures is transforming vascular health through supporting innovative patient-centered research, catalyzing breakthrough collaborations and empowering people in their vascular health journeys. Our vision is that one day everyone will have the opportunity to enjoy vascular health. We are doing this by supporting high-risk, high-impact research which cultivates collaboration over competition; we have invested over \$15M in research to date. Our Wylie Scholar Program is building a pipeline of innovators in vascular health by providing 3-year career development grants to outstanding young vascular surgeon-scientists who combine active patient care with academic research. Vascular Innovation and Research Summits bring together stakeholders across vascular health for shared brainstorming about better ways to collaboratively solve unmet patient needs. Project Voice advances patient engagement and the use of patient-reported outcomes research, to improve patient-physician partnerships, and to bolster shared decision-making. Finally, our education and awareness resources and initiatives focus on providing quality and accessible information that empower individuals to improve their own health outcomes.

The accompanying combined financial statements include the accounts of Vascular Cures and the Institute, known collectively as “VC.” All material intercompany transactions and accounts have been eliminated.

2. Summary of Significant Accounting Policies

Basis of Presentation – The combined financial statements of VC have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”).

Measure of Operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to VC’s ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

(continued)

Notes to Combined Financial Statements
June 30, 2020

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

Cash and Cash Equivalents – VC's cash and cash equivalents consist of cash on deposit in checking accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Receivables and Credit Policies – VC has determined that no allowance for doubtful uncollectible accounts receivable is required based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Concentrations of Credit Risk – Financial instruments that potentially subject VC to concentrations of credit risk consist principally of cash and cash equivalents and deposits. VC maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. VC manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. To date, VC has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of VC's mission.

Contributions Receivable – VC records receivables that are expected to be collected within one year at net realizable value. When material, 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 (when applicable) will be included in contribution revenue in the statement of activities.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities and changes in net assets. VC follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies.

The estimates are based on pertinent information available to management as of June 30, 2020 and 2019. Economic conditions can vary significantly throughout the year, impacting the carrying value of investments. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

In-Kind Contributions - In-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958.605.30-11*. The contributions of services, equipment, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. (*continued*)

Notes to Combined Financial Statements
June 30, 2020

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

Functional Allocation of Expenses (*continued*) A majority of expenses (such as salaries and benefits, consulting, events and activities, research support, and travel, meals, and meetings) have been allocated based on time and effort using VC's payroll allocations. Other expenses (such as accounting, bad debt expense, bank and finance charges, depreciation, and rent) have been allocated in accordance with the specific services received from vendors.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). VC groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Use of Estimates - The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates. (*continued*)

Notes to Combined Financial Statements
June 30, 2020

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

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, 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. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and it has opted to do so as shown in Note 11.

Net assets with donor restrictions

Net assets subject to donor- (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. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Reclassifications - Certain reclassifications have been made to the 2019 combined financial statements in order to conform to the presentation used in 2020.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

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.

Property and Equipment – VC's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. VC reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. VC has determined that no long-lived assets were impaired during the year ended June 30, 2020.

(*continued*)

Notes to Combined Financial Statements
June 30, 2020

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

Income taxes – Financial statement presentation follows the recommendations of *ASC 740, Income Taxes*. Under ASC 740, VC is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. Management believes VC has adequately evaluated its current tax positions and has concluded as of June 30, 2020 and 2019, VC does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

VC has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that VC continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 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. VC has adjusted the presentation of these statements accordingly.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the combined financial statements are issued (or within one year after the date that the combined financial statements are available to be issued, when applicable). As of January 29, 2021 (the date of the Independent Auditors' Report), VC management has made this evaluation and has determined that VC has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating 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 and (2) determining whether a contribution is conditional. Accordingly, VC has incorporated these clarifying standards within the audited financial statements.

Notes to Combined Financial Statements
June 30, 2020

3. Cash and Cash Equivalents

Cash and cash equivalents of \$244,787 and \$359,553 at June 30, 2020 and 2019, respectively, include funds domiciled in a noninterest-bearing bank account. *Concentration:* Deposits may exceed federally insured limits during certain times of the year. VC attempts to minimize its credit risk associated with cash equivalents in the United States by utilizing highly capitalized financial institutions.

4. Contributions Receivable

Contributions receivable of \$626,812 at June 30, 2020 represent amounts due from various individuals and foundations and are expected to be collected as follows:

Year ending June 30, 2021	\$ 335,550
Year ending June 30, 2022	300,000
Subtotal	635,550
Less: Unamortized discount	(8,738)
Subtotal	626,812
Total amounts due within one year	(335,550)
Total grants receivable long-term (net)	\$ 291,262

There were no contributions receivable at June 30, 2019. VC uses the direct write-off method with regards to receivables deemed uncollectible. VC wrote off \$4,100 in uncollectible receivables during the year ended June 30, 2019. There were no receivables written off during the year ended June 30, 2020.

5. Investments

Investments consist of various mutual funds housed with outside brokerage firms. The estimated cost basis and fair value of investments (including accrued interest) are as follows at June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual funds principally invested in fixed income	\$ 805,014	\$ 839,730	\$ 758,192	\$ 717,672
Mutual funds principally invested in equities	746,899	696,248	926,029	876,539
Money market mutual funds	381,996	381,996	404,023	404,023
Exchange traded funds	570,951	647,849	652,244	617,386
Total investments	\$ 2,504,860	\$ 2,565,823	\$ 2,740,488	\$ 2,615,620

Composition of investment income is summarized as follows for the years ended June 30:

	2020	2019
Interest and dividends	\$ 63,482	\$ 65,627
Net realized gains	11,443	118,747
Net unrealized losses	(67,651)	(85,487)
Investment management fees	(15,997)	(14,803)
Total investment income (net)	\$ (8,723)	\$ 84,084

(continued)

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

Notes to Combined Financial Statements June 30, 2020

5. Investments *(continued)*

In accordance with *ASC 958-205*, composition of endowment net assets and the changes in endowment net assets for the year ended June 30, 2020 are summarized as follows:

	<u>Endowment Net Assets</u>		Total Endowment Assets
	Time or Purpose Restricted	Perpetual in Nature	
June 30, 2020:			
Endowment net assets at beginning of year	\$ 833,120	\$ 1,782,500	\$ 2,615,620
Donations	68,394	-	68,394
Investment income, net	47,485	-	47,485
Unrealized investment losses	(67,651)	-	(67,651)
Expenditures	(98,025)	-	(98,025)
Endowment net assets at end of year	<u>\$ 783,323</u>	<u>\$ 1,782,500</u>	<u>\$ 2,565,823</u>

The composition of endowment net assets and the changes in endowment net assets for the year ended June 30, 2019 are summarized as follows:

	<u>Endowment Net Assets</u>		Total Endowment Assets
	Time or Purpose Restricted	Perpetual in Nature	
June 30, 2019:			
Endowment net assets at beginning of year	\$ 640,143	\$ 1,502,500	\$ 2,142,643
Donations	274,200	280,000	554,200
Investment income, net	48,268	-	48,268
Unrealized investment gains/losses	34,009	-	34,009
Expenditures	(163,500)	-	(163,500)
Endowment net assets at end of year	<u>\$ 833,120</u>	<u>\$ 1,782,500</u>	<u>\$ 2,615,620</u>

VC is subject to the Uniform Prudent Management of Institutional Funds Act (and the California equivalent enacted by SB 1329 in California) which requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted Madden and Margaret N. Stiegele Endowments absent explicit donor stipulations to the contrary. VC therefore classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent Madden and Margaret N. Stiegele Endowments and (b) the original value of subsequent gifts to the permanent Madden and Margaret N. Stiegele Endowments.

The remaining portion of the donor-restricted Madden and Margaret N. Stiegele Endowments not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Notes to Combined Financial Statements
June 30, 2020

5. Investments *(continued)*

In accordance with UPMIFA, VC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization.
7. The investment policies of the organization

VC has an Investment Committee which has the responsibility for establishing VC's return objectives. The committee routinely oversees investment performance and reviews cash flows necessary to sustain VC's operating activities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires VC to retain as a fund of perpetual duration. In accordance with *ASC 958.205.55.31*, there were no deficiencies of this nature required to be reported in net assets without donor restrictions as of June 30, 2020 and 2019. Although there were no deficiencies at June 30, 2020, future deficiencies could result from unfavorable market fluctuations which occur after the investment of new restricted contributions and continued appropriation for certain programs deemed prudent by management. VC's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of the VC's management. Deficiencies of this nature, if any, will be reported in net assets without donor restrictions.

Return Objectives and Risk Parameters

VC has adopted investment and spending policies for endowment assets in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds VC must hold in perpetuity or for a donor-specified period(s) as well as management designated funds. Under this policy, as approved by the Investment Committee and the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that approximate the price and yield results of the general market conditions while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, VC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). VC targets a diversified asset allocation that places a greater emphasis on certain investments to achieve its long-term return objectives within prudent risk constraints.

(continued)

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

Notes to Combined Financial Statements June 30, 2020

5. Investments *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy

VC has a policy of appropriating for distribution endowment funds to cover certain research and operational costs on an as-needed basis as approved by the Board of Directors. Each endowment fund has a different policy as to the use of the funds and the amounts which can be disbursed. The Madden endowment provides for distributions of 5% for research or other expenses.

The Stiegele endowment provides for distributions in excess of contributed principal (\$1,000,000) for research. In accordance with this policy, VC appropriated \$98,025 and \$163,500 which represented the board-approved budgeted draws from its investment portfolio for the years ended June 30, 2020 and 2019, respectively.

In establishing this policy, VC considered the long-term expected return on its endowment. Accordingly, over the long term, VC expects the current spending policy to allow its endowment to grow at a moderate rate annually. This is consistent with VC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for the specified term as well as to provide additional real growth through new gifts and investment return.

6. Fair Value Measurements

Composition of selected assets utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Mutual funds principally invested in fixed income	\$ 839,730	\$ 839,730	\$ -	\$ -
Mutual funds principally invested in equities	696,248	696,248	-	-
Money market mutual funds	281,996	281,996	-	-
Exchange traded funds	647,849	647,849	-	-
Contributions receivable	626,812	-	335,550	291,262
	\$ 3,092,635	\$ 2,465,823	\$ 335,550	\$ 291,262

Composition of selected assets utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Mutual funds principally invested in fixed income	\$ 717,672	\$ 717,672	\$ -	\$ -
Mutual funds principally invested in equities	876,539	876,539	-	-
Money market mutual funds	404,023	404,023	-	-
Exchange traded funds	617,386	617,386	-	-
	\$ 2,615,620	\$ 2,615,620	\$ -	\$ -

VC had no assets classified as level 2 or level 3 at June 30, 2019.

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

Notes to Combined Financial Statements June 30, 2020

7. Liquidity

VC regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. VC has various sources of liquidity at its disposal, including cash, cash equivalents, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, VC considers all expenditures related to its ongoing activities of providing vascular research as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, VC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, 2020, the following table shows the total financial assets held by VC and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures.

The following represents VC's financial assets at June 30, 2020:

Cash and cash equivalents	\$	244,787
Investments		2,565,823
Contributions receivable		335,550
Less: amounts not available to be used within one year:		
Net assets with donor restrictions - time and purpose		(677,787)
Net assets with donor restrictions - perpetual in nature		(1,782,500)
Financial assets available to meet general expenditures over the next twelve months	\$	<u>685,873</u>

A significant portion of the support that VC receives is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, VC must maintain sufficient resources to meet those responsibilities to its donors. Thus, these financial assets may not be available for general expenditure within one year. As part of VC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture and equipment	\$ 25,925	\$ 25,925
Software	12,764	12,764
Less: accumulated depreciation	(38,215)	(36,777)
Property and equipment, net	<u>\$ 474</u>	<u>\$ 1,912</u>

Depreciation expense amounted to \$1,438 and \$2,515 for the years ended June 30, 2020 and 2019, respectively.

Notes to Combined Financial Statements
June 30, 2020

9. In-Kind Revenue

VC received donated services and goods totaling \$11,425 and \$25,568 during the years ended June 30, 2020 and 2019, respectively, which are recorded as in-kind revenue in the combined statements of activities and changes in net assets and as in-kind services and goods in the combined statements of functional expenses. These donated services and goods consisted of the following for the years ended June 30:

	2020	2019
Goods	\$ -	\$ 23,474
Legal services	11,425	2,094
Total in-kind revenue	\$ 11,425	\$ 25,568

10. Loan Payable to SBA Under Paycheck Protection Program

During June 2020, VC applied for and received \$56,626 in a forgivable loan (bearing interest at the fixed rate of 1.0% per annum) under the Small Business Administration (SBA) Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower which qualifying entities can spend to cover payroll, interest, rent, and utilities.

VC expended the funds (and continues to utilize the proceeds) for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP’s eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and VC has been “legally released” or (2) VC pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, VC will post entries to reduce the liability by the amount forgiven and record the forgiven loan as income.

11. Retirement Plan

VC offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Substantially all full-time employees are eligible for participation in the plan and are 100% vested in their deferred compensation balances. VC has the option of making contributions to the plan as determined annually by the organization’s Board of Directors. During the years ended June 30, 2020 and 2019, VC did not make matching contributions to the participating employee’s salary deferrals.

VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE

Notes to Combined Financial Statements June 30, 2020

12. Net Assets

Net assets consist of the following at June 30:

Net assets without donor restrictions

Net assets without donor restrictions of \$284,219 and \$416,347 as of June 30, 2020 and 2019, respectively, represent the cumulative retained surpluses of VC since the organization's inception.

Net assets with donor restrictions – time and purpose

Net assets with donor restrictions are restricted for the following purposes as of June 30:

Restriction:	2020	2019
Advisory Board	\$ 15,634	\$ -
Binkley (visiting professor program)	505,560	501,541
Madden	104,019	192,548
Margaret N. Stiegele	-	46,123
Project Voice	52,574	-
PROM-PAD program	-	23,614
Time restricted gifts	635,550	-
Discount related to long-term receivables	(8,738)	-
Total net assets with donor restrictions	\$ 1,304,599	\$ 763,826

Net assets were released from donor restrictions during the years ended June 30, 2020 and 2019 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

<u>Released from:</u>	2020	2019
Advisory Board	\$ 4,366	\$ -
Binkley (visiting professor program)	-	9,033
Innovation Summits	20,000	-
Madden	39,125	-
Margaret N. Stiegele	37,257	-
Project Voice	17,426	-
PROM-PAD program	33,614	206,386
Wylie Scholar Program	97,089	86,822
Total net assets released from donor restrictions	\$ 248,877	\$ 302,241

Net assets with donor restrictions—perpetual in nature

VC has an ongoing endowment fund for the purpose of attracting contributions in order to provide a pool of funds to assist with vascular research. Net assets with donor restrictions which are perpetual in nature consist of the following at June 30:

<u>Restricted for:</u>	2020	2019
Madden endowment	\$ 782,500	\$ 782,500
Margaret N. Stiegele endowment	1,000,000	1,000,000
Net assets with donor restrictions-perpetual in nature	\$ 1,782,500	\$ 1,782,500

Notes to Combined Financial Statements
June 30, 2020

13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under *ASC 710.25*, VC is required to record a liability for the estimated amounts of compensation for vacation and sick leave. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the combined financial statements as an accrued liability on the combined statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued benefits amounted to \$10,811 and \$10,811 at June 30, 2020 and 2019, respectively.

14. COVID-19

In late 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The novel virus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (c) impacted private enterprises with which the House conducts business.

Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by the House as a result of these events.

15. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate VC to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond VC's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Vascular Cures has evaluated subsequent events through January 29, 2021 the date the combined financial statements were available to be issued. In the opinion of management, there are no subsequent events which are required to be disclosed.