

**CANCER SUPPORT COMMUNITY LOS ANGELES**

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

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To the Board of Directors  
Cancer Support Community Los Angeles

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cancer Support Community Los Angeles (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Cancer Support Community Los Angeles as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited the Cancer Support Community Los Angeles' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Group*

Pasadena, California  
October 29, 2019

**CANCER SUPPORT COMMUNITY LOS ANGELES**

STATEMENT OF FINANCIAL POSITION

December 31, 2018

With comparative totals at December 31, 2017

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2018</b>	2017
<b>ASSETS</b>				
Cash	\$ 201,466	\$ -	\$ 201,466	\$ 44,531
Pledges and bequest receivables (Note 2)	14,505		14,505	21,635
Prepaid expenses and other assets	43,059		43,059	27,835
Investments (Note 4)	1,850,199	2,563,578	4,413,777	6,112,455
Property and equipment (Note 5)	266,583		266,583	339,110
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 2,375,812</b>	<b>\$ 2,563,578</b>	<b>\$ 4,939,390</b>	<b>\$ 6,545,566</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,218	\$ -	\$ 5,218	\$ 34,241
Accrued liabilities (Note 6)	63,901		63,901	59,336
Deferred rent (Note 7)	150,029		150,029	218,441
Line of credit			-	297,288
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>219,148</b>	<b>-</b>	<b>219,148</b>	<b>609,306</b>
<b>NET ASSETS</b>				
Without donor restrictions	2,156,664		2,156,664	3,191,260
With donor restrictions (Note 10)		2,563,578	2,563,578	2,745,000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>2,156,664</b>	<b>2,563,578</b>	<b>4,720,242</b>	<b>5,936,260</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,375,812</b>	<b>\$ 2,563,578</b>	<b>\$ 4,939,390</b>	<b>\$ 6,545,566</b>

The accompanying notes are an integral part of these financial statements.

**CANCER SUPPORT COMMUNITY LOS ANGELES**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE AND SUPPORT</b>				
Contribution and foundation grants	\$ 341,705	\$ -	\$ 341,705	\$ 560,713
Special events, net of expenses of \$73,684	178,215		178,215	249,589
Investment (loss) gain income	(110,292)	(181,422)	(291,714)	672,726
<b>TOTAL REVENUE AND SUPPORT</b>	<b>409,628</b>	<b>(181,422)</b>	<b>228,206</b>	<b>1,483,028</b>
<b>EXPENSES</b>				
Program services	1,169,053		1,169,053	1,072,059
General and administrative	93,386		93,386	118,743
Fundraising	181,785		181,785	244,799
<b>TOTAL EXPENSES</b>	<b>1,444,224</b>	<b>-</b>	<b>1,444,224</b>	<b>1,435,601</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,034,596)</b>	<b>(181,422)</b>	<b>(1,216,018)</b>	<b>47,427</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,191,260</b>	<b>2,745,000</b>	<b>5,936,260</b>	<b>5,888,833</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,156,664</b>	<b>\$ 2,563,578</b>	<b>\$ 4,720,242</b>	<b>\$ 5,936,260</b>

The accompanying notes are an integral part of these financial statements.

**CANCER SUPPORT COMMUNITY LOS ANGELES**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	<u>Program</u>	<u>General and</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
	<u>Services</u>	<u>Administrative</u>		<u>2018</u>	<u>2017</u>
Personnel expenses	\$ 637,009	\$ 52,269	\$ 118,962	\$ 808,240	\$ 782,480
Occupancy	250,678	10,146	10,444	271,268	263,228
Depreciation and amortization expense	68,375	3,799	3,799	75,973	96,928
Professional fees	42,248	5,633	8,450	56,331	44,755
Outside services	33,077	7,436	14,884	55,397	42,645
Printing and reproduction	26,971	1,501	10,490	38,962	13,985
Office supplies	28,394	2,170	2,764	33,328	19,630
Insurance	21,050	2,646	4,394	28,090	22,514
Program supplies	18,177			18,177	21,023
National expense	13,642			13,642	13,525
Telephone	10,789	599	599	11,987	8,698
Meetings and conferences	7,394	575	521	8,490	12,538
Marketing expense	1,888	629	3,902	6,419	73,566
Postage and delivery	4,997	351	592	5,940	5,851
Bank charges and credit card fees		5,259		5,259	10,784
Outreach expense	2,694		1,443	4,137	1,540
Employee and volunteer relations	1,670	250	202	2,122	1,621
Miscellaneous		123	339	462	290
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 1,169,053</b>	<b>\$ 93,386</b>	<b>\$ 181,785</b>	<b>\$ 1,444,224</b>	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 1,072,059</b>	<b>\$ 118,743</b>	<b>\$ 244,799</b>		<b>\$ 1,435,601</b>

The accompanying notes are an integral part of these financial statements.

## CANCER SUPPORT COMMUNITY LOS ANGELES

### STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,216,018)	\$ 47,427
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation and amortization	75,973	96,928
Loss (gain) on investments	485,531	(517,414)
Reinvested interest and dividends, net of expense	(126,722)	(147,658)
Partnership investments	(16,023)	(1,232)
(Increase) decrease in operating assets:		
Pledges and bequest receivable	7,130	13,790
Prepaid expenses	(15,224)	27,911
Increase (decrease) in operating liabilities:		
Accounts payable	(29,023)	8,828
Accrued liabilities	4,565	(41,807)
Deferred rent	(68,412)	(61,804)
	<b>(898,223)</b>	<b>(575,031)</b>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(3,446)	(4,809)
Purchase of investments	-	(545,533)
Proceeds from sale of investments	1,355,892	802,677
	<b>1,352,446</b>	<b>252,335</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (payments) borrowings under line of credit agreement	(297,288)	297,288
	<b>(297,288)</b>	<b>297,288</b>
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>156,935</b>	<b>(25,408)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>44,531</b>	<b>69,939</b>
<b>CASH, END OF YEAR</b>	<b>\$ 201,466</b>	<b>\$ 44,531</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest:	<b>\$ 25</b>	<b>\$ 4,689</b>

The accompanying notes are an integral part of these financial statements.



# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**

Cancer Support Community Los Angeles, (“the Community”) is a California-based 501(c)(3) organization that provides psychological and emotional support to cancer patients and their families via a program of group support, healthy lifestyle classes, educational workshops, social activities and child, family and teen programs. The mission is to ensure that all people impacted by cancer are empowered by knowledge, strengthened by action, and sustained by community. The vision is that no one should have to face cancer alone. All services are offered at no cost to the participant and are geared towards reducing the isolation, stress, and depression that often accompany a cancer diagnosis. Founded in 1982 by Harold H. Benjamin, Ph.D. and Harriet Benjamin, the Community is the founding organization of what is now an international affiliate system based in Washington, DC with almost 50 chapters, making the Community the largest provider of psychosocial support for people affected by cancer. The Community is funded principally through the private sector with ongoing support from corporations, foundations, and individuals, as well as special fundraising events.

### 2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

**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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Grant Funding**

The Community receives multi-year grant funding from various sources, which, in accordance with generally accepted accounting principles, are recorded in the period received or pledged. However, expenditures related to these grants can occur over several years. As a result, timing differences are created which can have an effect on changes in net assets.

#### **Pledges and Bequest Receivables**

Pledges receivable are recorded as support when pledged, unless designated otherwise. All pledges are valued at their estimated fair value at December 31, 2018. Pledges receivable are deemed fully collectible within one year. Therefore, no allowance or discount for pledges receivable has been recorded. The Community recognizes a bequest gift when the donor's will has been declared valid by the Probate Court and the value of the amount to be received, based on the estate's net assets, is determinable. Bequest receivable are generally expected to be collected within one year. At December 31, 2018, the Community had \$14,505 in pledges and bequest receivables.

#### **Investments**

The Community values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or (loss) on investments. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

#### **Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

The Community is required to measure certain investments at fair value. The specific techniques used to measure fair value for the financial statement element is described in the notes below that relates to the element.

#### **Concentration of Credit Risks**

The Community maintains its temporary cash investments in bank deposit accounts and other investment accounts which, at times, may exceed the Federal Deposit Insurance Corporation insurance limit. The Community has not experienced any losses in such accounts. The Community believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2018, the Community received \$28,070 in in-kind contributions.

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### Income Taxes

The Community is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Community in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Community's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### Functional Allocation of Expenses

Costs of providing the Community's program and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Community uses salary dollars and square footage to allocate indirect costs.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### Recently Adopted Accounting Pronouncement

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 ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted.

continued

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. The Community's financial statements for year-ended December 31, 2018 are presented in accordance with ASU 2016-14.

#### Comparative Totals

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Community's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through October 29, 2019, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

### 3. Liquidity and Availability of Resources

The Community regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. The Community has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Community considers all expenditures related to its ongoing activities and the pattern of income from grants, fundraising, and investments. The Board meets regularly to review all financial aspects of the organization and meets regularly with the Community's financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

As of December 31, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$ 201,466
Pledges and bequests receivables	14,505
Investments	<u>1,850,199</u>
	<u>\$2,066,170</u>

continued

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 4. Investments

Investments at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$4,231,737	\$2,301,957
Cash equivalents	167,821	44,474
Equities	9,762	3,527,685
Investment in partnerships	4,457	(11,566)
Fidelity mortgage lenders	<u>-</u>	<u>249,905</u>
	<u>\$4,413,777</u>	<u>\$6,112,455</u>

### 5. Property and Equipment

Property and equipment at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 783,543	\$ 783,543
Furniture and fixtures	130,681	130,681
Office equipment	153,697	150,251
Software	<u>37,800</u>	<u>37,800</u>
	1,105,721	1,102,275
Less: accumulated depreciation and amortization	<u>(839,138)</u>	<u>(763,165)</u>
	<u>\$ 266,583</u>	<u>\$ 339,110</u>

Depreciation and amortization expense for the year ended December 31, 2018 and 2017 was \$75,973 and \$96,928, respectively.

### 6. Accrued Liabilities

Accrued liabilities at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Accrued vacation	\$63,057	\$58,820
Other accrued liabilities	<u>844</u>	<u>516</u>
	<u>\$63,901</u>	<u>\$59,336</u>

continued

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 7. **Deferred Rent**

The Community recognizes rent holidays, including the time period during which the Community had access to the property prior to the opening of the site as well as escalating rent provisions and reimbursements received for the office improvement, on a straight-line basis over the term of the lease. At December 31, 2018 and 2017, deferred rent was \$150,029 and \$218,441, respectively.

### 8. **Commitments and Contingencies**

#### **Obligations Under Operating Leases**

The Community leases office space under an operating lease through November 2020. The lease provides for annual base rent of \$189,809. In all subsequent lease years, base rent will reflect an estimated 3% Consumer Price Index increase. As provided in the agreement, the Community received certain reimbursements relating to the move to the new facility. The Community also received reduced rent for the first 30 months of the lease term. Future minimum payments, by year and in aggregate, under these leases with initial or remaining terms of one year or more consist of the following:

<u>Year ending December 31,</u>	
2019	\$233,599
2020	<u>220,011</u>
	<u>\$453,610</u>

Rent expense under facility operating lease for the year ended December 31, 2018 and 2017 was \$271,268 and \$263,228, respectively.

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

### 9. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2018 on recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 9,762	\$ -	\$ -	\$ 9,762
Mutual funds	4,231,737			4,231,737
Investment in partnerships			4,457	4,457
	<u>\$4,241,499</u>	<u>\$ -</u>	<u>\$4,457</u>	<u>\$4,245,956</u>

The fair value of equities and mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of the investment in partnerships has been measured on a non-recurring basis using estimates with the best information available when there is little or no market (Level 3 inputs).

The tables below set forth the summary of changes in the fair value of the Community's Level 3 assets for the year ended December 31, 2018:

	<u>Investment in Partnerships</u>	<u>Fidelity Mortgage Lender</u>	<u>Total</u>
Balance at December 31, 2017	\$(11,566)	\$ 249,905	\$ 238,339
Partnership income	16,023		16,023
Transfer out		(249,905)	(249,905)
Balance at December 31, 2018	<u>\$ 4,457</u>	<u>\$ -</u>	<u>\$ 4,457</u>

The table below present transactions measured at fair value on a non-recurring basis during the year ended December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed materials	\$ -	\$28,070	\$ -	\$28,070
Pledge receivable (current year)			14,505	14,505
	<u>\$ -</u>	<u>\$28,070</u>	<u>\$14,505</u>	<u>\$42,575</u>

The fair value of contributed materials have been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of current year pledged receivable is measured on a non-recurring basis using the value provided by the donor at the date of the pledge and based on likelihood of payment (Level 3 inputs).

continued



# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

### 9. Fair Value Measurements, continued

The table below presents the balances of assets measured at fair value at December 31, 2017 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$3,527,685	\$ -	\$ -	\$3,527,685
Mutual funds	2,301,957			2,301,957
Fidelity mortgage lenders			249,905	249,905
Investment in partnerships			(11,566)	(11,566)
	<u>\$5,829,642</u>	<u>\$ -</u>	<u>\$238,339</u>	<u>\$6,067,981</u>

The fair value of equities and mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of fidelity mortgage lenders and investment in partnerships have been measured on a non-recurring basis using estimates with the best information available when there is little or no market (Level 3 inputs).

The tables below set forth the summary of changes in the fair value of the Community's Level 3 assets for the year ended December 31, 2017:

	<u>Investment in Partnerships</u>	<u>Fidelity Mortgage Lender</u>	<u>Total</u>
Balance at December 31, 2016	\$(12,798)	\$249,952	\$237,154
Interest and dividends			
Partnership income	1,232		1,232
Transfer out		(47)	(47)
Balance at December 31, 2017	<u>\$(11,566)</u>	<u>\$249,905</u>	<u>\$238,339</u>

The table below present transactions measured at fair value on a non-recurring basis during the year ended December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed materials	\$ -	\$22,809	\$ -	\$22,809
Pledged receivable (current year)			21,635	21,635
	<u>\$ -</u>	<u>\$22,809</u>	<u>\$21,635</u>	<u>\$44,444</u>

The fair value of contributed materials have been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 9. Fair Value Measurements, continued

The fair value of current year pledged contributions is measured on a non-recurring basis using the value provided by the donor at the date of the pledge and based on likelihood of payment (Level 3 inputs).

### 10. Net Assets With Donor Restrictions and Endowment Funds

Net assets with donor restrictions represent contributions for which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends therefrom may be expended for unrestricted purposes. At December 31, 2018, the Community's endowment consists of \$2,563,578 donor restricted funds which are included in net assets with donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA"), (a federal law that was adopted as California law in September 2008), the Community has classified as permanently restricted the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, permanently restricted net assets include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. The donors allow the Community to use all income and gains from permanently restricted endowments for general or unrestricted purposes.

The primary long-term financial objective for the Community's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets. The endowments are also managed to optimize the long run total rate of return on invested assets assuming a prudent level of risk. The goal for this rate of return is one that funds the Community's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

From time to time, certain donor-restricted endowment funds may have fair values less than the principal donation (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law. At December 31, 2018, funds with original gifts valued of \$2,745,000 and deficiencies of (\$181,422) were included in the net assets with donor restrictions.

Endowment net assets composition by type of funds as of December 31, 2018, consist of the following:

Donor restricted endowment funds – net of losses	<u>\$2,563,578</u>
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# CANCER SUPPORT COMMUNITY LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

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### 10. Net Assets With Donor Restrictions and Endowment Funds, continued

Changes in endowment net assets for the year ended December 31, 2018 are as follow:

	<u>Total</u>
Endowment net assets, beginning of year	\$2,745,000
Investment income - loss	(181,422)
Expenses and appropriations	-
Endowment net assets, end of year	<u>\$2,563,578</u>

Endowment net assets composition by type of funds as of December 31, 2017, consist of the following:

Donor restricted endowment funds	<u>\$2,745,000</u>
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Changes in endowment net assets for the year ended December 31, 2017 are as follow:

	<u>Total</u>
Endowment net assets, beginning of year	\$2,745,000
Investment income	300,171
Expenses and appropriations	(300,171)
Endowment net assets, end of year	<u>\$2,745,000</u>

### 11. Retirement Plan

The Community maintains a 403(b) plan for its employees. The plan includes discretionary employer contributions up to 5% of an eligible employee's salary. The Community did not make any discretionary contributions to the plan for the year ended December 31, 2018.