

Cancer Support Community Los Angeles

**Financial Statements and
Independent Auditor's Report**

December 31, 2020

Cancer Support Community Los Angeles

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Independent Auditor's Report

To the Board of Directors
Cancer Support Community Los Angeles

We have audited the accompanying financial statements of Cancer Support Community Los Angeles, which comprise the statement of financial position as of December 31, 2020, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cancer Support Community Los Angeles as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Cancer Support Community Los Angeles' 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Los Angeles, California
November 23, 2021

Cancer Support Community Los Angeles

Statement of Financial Position December 31, 2020 With Summarized Totals at December 31, 2019

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Assets				
Cash	\$ 345,396	\$ -	\$ 345,396	\$ 132,132
Accounts receivable	-	-	-	15,237
Pledges receivable	-	-	-	10,275
Prepaid expenses and other assets	25,749	-	25,749	43,029
Investments	1,532,183	2,745,000	4,277,183	5,199,683
Property and equipment, net	112,806	-	112,806	207,819
Artwork	100,543	-	100,543	100,543
Total assets	\$ 2,116,677	\$ 2,745,000	\$ 4,861,677	\$ 5,708,718
Liabilities and net assets				
Accounts payable	\$ 3,500	\$ -	\$ 3,500	\$ 14,523
Accrued liabilities	86,847	-	86,847	89,245
Deferred rent	194	-	194	74,821
Line of credit	180,000	-	180,000	655,000
Capital lease obligations	96,469	-	96,469	118,882
PPP loan payable	158,200	-	158,200	-
Total liabilities	525,210	-	525,210	952,471
Commitments and contingencies				
Net assets				
Without donor restrictions	1,591,467	-	1,591,467	2,011,247
With donor restrictions	-	2,745,000	2,745,000	2,745,000
Total net assets	1,591,467	2,745,000	4,336,467	4,756,247
Total liabilities and net assets	\$ 2,116,677	\$ 2,745,000	\$ 4,861,677	\$ 5,708,718

See Notes to Financial Statements.

Cancer Support Community Los Angeles

Statement of Activities Year Ended December 31, 2020 With Summarized Totals for the Year Ended December 31, 2019

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenues				
Contributions and foundation grants	\$ 978,292	\$ -	\$ 978,292	\$ 609,542
Government grants	60,000	-	60,000	-
In-kind contributions	-	-	-	2,500
Special events, net of expenses of \$43,761	61,049	-	61,049	157,196
Investment (loss) income	(12,658)	-	(12,658)	782,810
Total support and revenues	1,086,683	-	1,086,683	1,552,048
Expenses				
Programs services	1,125,491	-	1,125,491	1,234,618
General and administrative	135,226	-	135,226	105,292
Fundraising	245,746	-	245,746	176,133
Total expenses	1,506,463	-	1,506,463	1,516,043
Change in net assets	(419,780)	-	(419,780)	36,005
Net assets, beginning	2,011,247	2,745,000	4,756,247	4,720,242
Net assets, end	<u>\$ 1,591,467</u>	<u>\$ 2,745,000</u>	<u>\$ 4,336,467</u>	<u>\$ 4,756,247</u>

See Notes to Financial Statements.

Cancer Support Community Los Angeles

Statement of Functional Expenses Year Ended December 31, 2020 With Summarized Totals for the Year Ended December 31, 2019

	2020				2019
	Program services	General and administrative	Fundraising	Total	Total
Personnel	\$ 685,248	\$ 66,730	\$ 129,947	\$ 881,925	\$ 862,399
Occupancy	198,986	17,498	10,176	226,660	261,447
Depreciation and amortization	85,511	4,751	4,751	95,013	82,541
Professional fees	19,054	2,541	3,811	25,406	55,505
Outside services	15,669	7,811	83,119	106,599	68,284
Printing and reproduction	20,504	1,173	2,869	24,546	25,380
Office	27,496	10,722	6,587	44,805	41,255
Taxes and licensing	14,852	1,663	631	17,146	13,983
Interest	-	11,799	-	11,799	1,455
Insurance	19,136	4,984	2,278	26,398	27,634
Program supplies	10,441	-	-	10,441	16,826
Telephone	9,772	541	541	10,854	12,695
Meetings and conferences	1,792	252	-	2,044	10,218
Marketing	5,125	-	-	5,125	6,875
Postage and delivery	10,575	572	546	11,693	9,205
Bank charges	-	3,627	149	3,776	10,355
Outreach	49	-	179	228	4,648
Employee and volunteer relations	1,281	562	162	2,005	5,338
Total	\$ 1,125,491	\$ 135,226	\$ 245,746	\$ 1,506,463	\$ 1,516,043

See Notes to Financial Statements.

Cancer Support Community Los Angeles

**Statement of Cash Flows
Year Ended December 31, 2020
With Summarized Totals for the Year Ended December 31, 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (419,780)	\$ 36,005
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	95,013	82,541
Deferred rent	(74,627)	(75,208)
Realized and unrealized loss (gain) on investments	148,365	(670,504)
Partnership investments	-	4,457
Change in operating assets and liabilities		
Accounts receivable	15,237	(15,237)
Pledges receivable	10,275	4,230
Prepaid expenses and other assets	17,280	30
Accounts payable	(11,023)	9,305
Accrued liabilities	(2,398)	25,344
Net cash used in operating activities	<u>(221,658)</u>	<u>(599,037)</u>
Cash flows from investing activities		
Purchase of investments	(140,634)	(119,859)
Proceeds from sale of investments	914,769	-
Net cash provided by (used in) investing activities	<u>774,135</u>	<u>(119,859)</u>
Cash flow from financing activities		
Net (payments) borrowings under line of credit agreement	(475,000)	655,000
Principal payments under capital lease obligations	(22,413)	(5,438)
Proceeds from borrowings on PPP loan payable	158,200	-
Net cash (used in) provided by financing activities	<u>(339,213)</u>	<u>649,562</u>
Net increase (decrease) in cash	213,264	(69,334)
Cash, beginning	<u>132,132</u>	<u>201,466</u>
Cash, end	<u>\$ 345,396</u>	<u>\$ 132,132</u>
Supplementary information		
Cash paid for interest	<u>\$ 11,799</u>	<u>\$ 1,455</u>
Noncash investing and financing activity		
Equipment financed through capital lease arrangement	<u>\$ -</u>	<u>\$ 124,320</u>

See Notes to Financial Statements.

Cancer Support Community Los Angeles

Notes to Financial Statements December 31, 2020

Note 1 - Organization and nature of activities

Business activity

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, D.C. 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.

Basis of accounting

The financial statements of the Community have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial statement presentation

The Community reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. They are described as follows:

Net Assets Without Donor Restrictions - Net assets for use in general operations and not subject to donor restrictions. Net assets may be designated for specific purposes by action of the Board.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose, 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.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity. The Community maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The uninsured cash balance was approximately \$95,000 as of December 31, 2020. The Community has not experienced any losses in such accounts.

Accounts receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. The Community provides for losses on receivables using the allowance method. The allowance is based on historical collection experience and an evaluation of the outstanding receivables at the end of the year. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Community's policy to charge off uncollectible accounts receivable

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Notes to Financial Statements December 31, 2020

when management determines the receivable will not be collected. At December 31, 2020, the Community has no accounts receivable or allowance for doubtful accounts.

Pledges receivable

Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those pledges receivable due in greater than one year. The Community provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Community's policy to charge off uncollectible receivables when management determines the receivable will not be collected. At December 31, 2020, the Community has no pledges receivable or allowance for doubtful accounts.

Investments

Investments are stated at fair value in the statement of financial position. Investment sales and purchases are recorded on a trade-date basis. The realized and unrealized gains and losses are included in the Community's statement of activities. Dividend income is recorded based upon the ex-dividend date and interest income is recorded as earned on an accrual basis.

The Community invests in a diversified portfolio, consisting primarily of fixed income and equity securities, which may reflect varying rates of return. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the statement of activities and investment portfolio on the statement of financial position.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization if purchased or fair value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from 5 to 10 years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Minor repairs and maintenance costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

Fair value measurements

The Community values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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Notes to Financial Statements December 31, 2020

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Contributions

Contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions, which limit the use of the donated assets, are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as net assets with donor restrictions. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as support without donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At December 31, 2020, the Community does not have any conditional contributions.

Government grants

Government grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Community has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring expenditures are reported as deferred revenue in the statement of financial position. At December 31, 2020, the deferred revenue was \$0.

Contributed assets and services

The Community reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Community reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. For the year ended December 31, 2020, the Community did not receive any contributed assets.

Contributions of donated services that enhance a non-financial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Contributed services are recorded as contributions at their estimated fair market value as of the date of the donation. The Community did not receive any contributed services for the year ended December 31, 2020.

Special events

Special events revenue is recognized net of special event expenditures when earned, which is typically at the time the event occurs. Special events revenue is recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

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Artwork

In March 2019, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2019-03, Updating the Definition of Collections (“Topic 958”) to improve definition of collection. Current GAAP state that an entity need not recognize contributions of works of art, historical treasures, and similar assets, if the donated items are added to collections and meet three conditions. One condition states that an entity must be subject to an organizational policy that requires that the proceeds from sales of collections items be used to acquire other items for collections. The amendments in this ASU modify that condition so that the proceeds can also be used to support the direct care of existing collections. As of December 31, 2020, the Community implemented the provisions of ASU 2019-03 applicable to its Collections on a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Community’s implementation of ASU 2019-03. The Community recognizes donations of artwork at the appraised fair market value on the date of donation. At December 31, 2020, the Community has artwork of \$100,543.

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, 2020, deferred rent was \$194.

Income taxes

The Community is tax-exempt under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Community has no unrecognized tax benefits at December 31, 2020. The Community's federal and state income tax returns prior to fiscal years 2017 and 2016, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Community recognizes interest and penalties associated with tax matters, if applicable, as part of income tax expense and includes accrued interest and penalties with accounts payable and accrued expenses in the statement of financial position. The Community has no interest and penalties associated with tax matters at December 31, 2020.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying 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 the indirect costs.

Use of estimates

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

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 GAAP. Accordingly, such information should be read in conjunction with the

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Notes to Financial Statements December 31, 2020

Community's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Note 2 - Liquidity and availability

The Community regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Community has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and investments.

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 Community and meets regularly with the Community's financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

At December 31, 2020, the Community has the following financial assets and liquidity resources available over the next 12 months:

Cash	\$ 345,396
Investments	<u>4,277,183</u>
	4,622,579
Less endowment investments	<u>2,745,000</u>
	<u>\$ 1,877,579</u>

Note 3 - Investments

Investments at December 31, 2020 consist of the following:

Equities	\$ 2,118,114
Mutual funds	1,673,296
Debt securities	387,715
Money markets	<u>98,058</u>
	<u>\$ 4,277,183</u>

The Community has partnership interest in some real estate. 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 data available. At December 31, 2020, the fair value of the Community's investment in partnerships was \$0.

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Notes to Financial Statements December 31, 2020

Note 4 - Fair value measurements

At December 31, 2020, financial assets are carried at fair value and are classified in the table below in one of the three categories as described in Note 1:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Equities	\$ 2,118,114	\$ -	\$ -	\$ 2,118,114
Mutual funds	1,673,296	-	-	1,673,296
Debt securities	-	387,715	-	387,715
Money markets	-	98,058	-	98,058
Total	\$ 3,791,410	\$ 485,773	\$ -	\$ 4,277,183

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets, and are valued on a recurring basis. Financial assets valued using Level 2 inputs are based on the present value of expected cash flows. For the year ended December 31, 2020, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Community believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 - Property and equipment

At December 31, 2020, property and equipment consist of the following:

Leasehold improvements	\$ 683,000
Furniture and fixtures	130,681
Office equipment	278,018
Software	37,800
	<u>1,129,499</u>
Accumulated depreciation and amortization	<u>(1,016,693)</u>
	<u>\$ 112,806</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$95,013.

Note 6 - Line of credit

The Community has available a revolving line of credit with a bank for \$750,000. The line of credit expires in February 2022 unless extended. Borrowings under the line of credit bear interest of 3.5%

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Notes to Financial Statements December 31, 2020

per annum at December 31, 2020. All borrowings are collateralized by substantially all assets of the Community. The outstanding balance on the line of credit was \$180,000 as of December 31, 2020.

Note 7 - Capital lease obligations

Property and equipment include gross assets acquired under capital leases of \$124,321 as of December 31, 2020 and are included as a component of office equipment. Related amortization included in accumulated depreciation was \$31,080 at December 31, 2020. Amortization of assets under capital leases is included in depreciation and amortization expense.

The future minimum lease payments required under the capital lease obligations are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 27,576
2022	27,576
2023	27,576
2024	<u>22,980</u>
Total minimum lease payments	105,708
Less interest	<u>9,239</u>
Capital lease obligations	<u><u>\$ 96,469</u></u>

Note 8 - PPP loan payable

In conjunction with the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") being passed by Congress in March 2020, the Community applied for a Small Business Administration ("SBA") loan as outlined in the Small Business Debt Relief Program. This program provides immediate relief to small businesses with nondisaster SBA loans. On April 24, 2020, the SBA approved a loan amount of \$158,200 for the Community (the "PPP Loan"). The PPP Loan has a two-year maturity and includes a fixed interest rate of 1% per year until the maturity date.

Subsequent to year end, the Community applied for and received full loan forgiveness of \$158,200 (see Note 12).

Note 9 - Commitments and contingencies

The Community leases office space under an operating lease through November 2026. For the year ended December 31, 2020, total rent expense under the lease was \$226,660.

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The following is a schedule, by years, of future minimum lease payments required under the operating leases that have initial or remaining lease terms:

Year ending December 31,	Amount
2021	\$ 260,922
2022	270,054
2023	279,506
2024	289,289
2025	299,414
Thereafter	<u>308,992</u>
	<u>\$ 1,708,177</u>

In December 2019, a novel strain of the coronavirus ("COVID-19") was reported. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The spread of this virus globally has caused business disruption domestically in the United States, the area in which the Community operates. As a result, events have occurred, including mandates from federal, state and local authorities, leading to the cancellation of most of the Community's fundraising events and an overall decline in special event activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, the extent of the financial impact and duration cannot be reasonably estimated at this time.

Note 10 - Net assets with donor restrictions and endowments

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, 2020, the Community's endowment consists of \$2,745,000 donor-restricted funds which are included in net assets with donor restrictions. As required by GAAP, 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"), the Community has classified as net assets with donor restrictions the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, net assets with donor restrictions 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 donor 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.

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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, 2020, funds with original gifts valued of \$2,745,000 were included in the net assets with donor restrictions.

Endowment net assets composition by type of funds as of December 31, 2020, consists of the following:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Donor-restricted endowment funds	\$ -	\$ -	\$ 2,745,000	\$ 2,745,000
Endowment assets, end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,745,000</u>	<u>\$ 2,745,000</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Endowment assets, beginning	\$ -	\$ -	\$ 2,745,000	\$ 2,745,000
Investment loss	-	-	(8,101)	(8,101)
Transfer from investments	-	-	8,101	8,101
Endowment assets, end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,745,000</u>	<u>\$ 2,745,000</u>

Note 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, 2020.

Note 12 - Subsequent events

The Community evaluated the impact of subsequent events through November 23, 2021, which is the date the financial statements were available to be issued.

PPP loan forgiveness

The Community submitted its application for PPP Loan forgiveness after December 31, 2020 and received notice from the SBA in March 2021 that the SBA approved forgiveness of the full amount of the PPP Loan and the related interest thereon. Accordingly, the Community will derecognize \$158,200 of the PPP Loan and recognize a corresponding gain on debt forgiveness, which will be included in other income for the year ending December 31, 2021.

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Notes to Financial Statements December 31, 2020

Additional PPP loan

On February 3, 2021, the Community entered into an additional unsecured promissory note with a commercial bank for an aggregate principal amount of \$163,712 pursuant to the PPP Loan, which was established under the CARES Act and is administered by the SBA. The loan has a two-year maturity and includes interest at a fixed rate of 1% per year until the maturity date. The PPP Loan promissory note contains customary events of default, relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding and/or filing suit and obtaining judgement against the Community.

The Community has not submitted its application for PPP loan forgiveness for the additional PPP Loan as of the date of this report but expects to do so in 2021 and believes it will qualify for full or partial forgiveness.



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