

**Cancer Support Community Los Angeles**

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

**December 31, 2022**

---

# Cancer Support Community Los Angeles

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8

## Independent Auditor's Report

To the Board of Directors  
Cancer Support Community Los Angeles

### *Opinion*

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cancer Support Community Los Angeles as of December 31, 2022, 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.

### *Basis for Opinion*

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

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, in 2022, Cancer Support Community Los Angeles adopted Financial Accounting Standards Board Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cancer Support Community Los Angeles' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Cancer Support Community Los Angeles' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California  
October 30, 2023

**Cancer Support Community Los Angeles**

**Statement of Financial Position  
December 31, 2022  
With Summarized Totals at December 31, 2021**

	2022		2021	
	Without donor restrictions	With donor restrictions	Total	Total
<u>Assets</u>				
Current assets				
Cash	\$ 595,674	\$ 15,000	\$ 610,674	\$ 274,050
Contributions and grants receivable, net	67,106	-	67,106	27,795
Total current assets	662,780	15,000	677,780	301,845
Other assets				
Investments	1,322,074	2,446,788	3,768,862	4,517,168
Deposits	25,749	-	25,749	25,749
Operating right-of-use asset	839,181	-	839,181	-
Property and equipment, net	51,052	-	51,052	82,709
Artwork	100,543	-	100,543	100,543
Total other assets	2,338,599	2,446,788	4,785,387	4,726,169
Total assets	\$ 3,001,379	\$ 2,461,788	\$ 5,463,167	\$ 5,028,014
<u>Liabilities and net assets</u>				
Current liabilities				
Accounts payable	\$ 27,755	\$ -	\$ 27,755	\$ 3,500
Accrued liabilities	121,723	-	121,723	100,857
Notes payable	47,883	-	47,883	-
Finance lease liability	27,576	-	27,576	-
Operating lease liability	279,501	-	279,501	-
Total current liabilities	504,438	-	504,438	104,357
Deferred rent	-	-	-	32,484
Line of credit	450,000	-	450,000	380,000
Notes payable - net of current portion	428,260	-	428,260	-
Finance lease liability - net of current portion	19,957	-	19,957	72,968
Operating lease liability - net of current portion	599,218	-	599,218	-
Total liabilities	2,001,873	-	2,001,873	589,809
Net assets				
Without donor restrictions	999,506	-	999,506	1,677,705
With donor restrictions	-	2,461,788	2,461,788	2,760,500
Total net assets	999,506	2,461,788	3,461,294	4,438,205
Total liabilities and net assets	\$ 3,001,379	\$ 2,461,788	\$ 5,463,167	\$ 5,028,014

See Notes to Financial Statements.

**Cancer Support Community Los Angeles**

**Statement of Activities  
Year Ended December 31, 2022  
With Summarized Totals for the Year Ended December 31, 2021**

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Support and revenues				
Contributions and foundation grants	\$ 700,851	\$ 15,000	\$ 715,851	\$ 631,422
Government grants	15,000	-	15,000	50,000
Special events, net of expenses of \$90,331	332,627	-	332,627	93,941
Investment (loss) income	(110,298)	(298,212)	(408,510)	560,968
PPP loan forgiveness	-	-	-	321,912
Net assets released from restrictions	15,500	(15,500)	-	-
<b>Total support and revenues</b>	<b>953,680</b>	<b>(298,712)</b>	<b>654,968</b>	<b>1,658,243</b>
Expenses				
Programs services	1,232,697	-	1,232,697	1,176,460
General and administrative	193,138	-	193,138	151,973
Fundraising	206,044	-	206,044	228,072
<b>Total expenses</b>	<b>1,631,879</b>	<b>-</b>	<b>1,631,879</b>	<b>1,556,505</b>
Change in net assets	(678,199)	(298,712)	(976,911)	101,738
Net assets, beginning	1,677,705	2,760,500	4,438,205	4,336,467
Net assets, end	<u>\$ 999,506</u>	<u>\$ 2,461,788</u>	<u>\$ 3,461,294</u>	<u>\$ 4,438,205</u>

See Notes to Financial Statements.

## Cancer Support Community Los Angeles

### Statement of Functional Expenses Year Ended December 31, 2022 With Summarized Totals for the Year Ended December 31, 2021

	2022				2021
	Program services	General and administrative	Fundraising	Total	Total
Personnel	\$ 787,552	\$ 63,560	\$ 126,152	\$ 977,264	\$ 938,349
Occupancy	262,289	36,266	14,589	313,144	292,068
Depreciation and amortization	29,570	1,643	1,643	32,856	32,852
Professional fees	16,628	2,247	3,263	22,138	19,591
Outside services	18,537	15,406	40,932	74,875	122,404
Printing and reproduction	3,581	305	3,996	7,882	20,646
Office	51,505	11,429	7,199	70,133	42,342
Taxes and licensing	17,232	6,263	587	24,082	22,829
Interest	-	33,070	-	33,070	12,475
Insurance	18,492	17,640	2,194	38,326	30,354
Telephone	9,392	520	520	10,432	11,251
Meetings and conferences	7,704	-	1,552	9,256	2,325
Marketing	72	-	-	72	725
Postage and delivery	320	110	2,907	3,337	-
Bank charges	-	4,016	-	4,016	4,881
Outreach	7,181	250	249	7,680	-
Employee and volunteer relations	2,642	413	261	3,316	3,413
<b>Total</b>	<b>\$ 1,232,697</b>	<b>\$ 193,138</b>	<b>\$ 206,044</b>	<b>\$ 1,631,879</b>	<b>\$ 1,556,505</b>

See Notes to Financial Statements.

**Cancer Support Community Los Angeles**

**Statement of Cash Flows**  
**Year Ended December 31, 2022**  
**With Summarized Totals for the Year Ended December 31, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (976,911)	\$ 101,738
Adjustments to reconcile change in net assets to net cash used in operating activities		
PPP loan forgiveness	-	(321,912)
Amortization of right-of-use asset	24,864	-
Depreciation expense	7,992	32,852
Deferred rent	-	32,290
Realized and unrealized loss (gain) on investments	408,510	(420,142)
Change in operating assets and liabilities		
Contributions and grants receivable	(39,311)	(27,795)
Accounts payable	24,255	-
Accrued liabilities	20,866	14,010
Lease liabilities	7,054	-
	<u>(522,681)</u>	<u>(588,959)</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,199)	(2,755)
Purchase of investments	(123,000)	(144,221)
Proceeds from sale of investments	462,796	324,378
	<u>338,597</u>	<u>177,402</u>
Cash flow from financing activities		
Net borrowings under line of credit	70,000	200,000
Principal payments under finance/capital lease liabilities	(25,435)	(23,501)
Payment of notes payable	(23,857)	-
Proceeds from borrowings on notes payable	500,000	163,712
	<u>520,708</u>	<u>340,211</u>
Net increase (decrease) in cash	336,624	(71,346)
Cash, beginning	<u>274,050</u>	<u>345,396</u>
Cash, end	<u>\$ 610,674</u>	<u>\$ 274,050</u>
Supplementary information		
Cash paid for interest	<u>\$ 33,070</u>	<u>\$ 12,475</u>
Noncash investing and financing activity		
Increase in right-of-use assets and operating lease liabilities	<u>\$ 1,137,506</u>	<u>\$ -</u>

See Notes to Financial Statements.



## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

#### Note 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, 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.

#### Note 2 - Basis of significant accounting policies

##### **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 Community's cash balance is insured as of December 31, 2022. The Community has not experienced any losses in such accounts.

##### **Contributions and grants receivable**

Contributions and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on those receivables 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

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

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, 2022, the Community has contributions and grants receivables of \$67,106 and allowance for doubtful accounts is \$0.

#### **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.
- 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.

The Community assesses the recoverability of property and equipment whenever a triggering event occurs by determining whether the depreciation of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured

## **Cancer Support Community Los Angeles**

### **Notes to Financial Statements December 31, 2022**

based on fair value (projected discounted cash flows) and is charged to operations in the period in which such impairment is determined by management. To date, management has not identified any impairment of property and equipment.

#### **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, 2022, 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, 2022, 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, 2022, the Community did not receive any contributed assets.

Contributions of donated services that enhance a nonfinancial 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, 2022.

#### **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.

## **Cancer Support Community Los Angeles**

### **Notes to Financial Statements December 31, 2022**

#### **PPP loan forgiveness**

On April 24, 2020, the Community entered into an unsecured promissory note with a commercial bank for an aggregate principal amount of \$158,200 pursuant to the Paycheck Protection Program (the "PPP loan"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). In March 2021, the SBA approved forgiveness of the full amount of the PPP loan and the related interest thereon. Accordingly, the Community derecognized \$158,200 of the PPP loan and recognized a corresponding gain on debt forgiveness in 2021, which is included in the statement of activities.

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. On December 22, 2021, the lender approved the Community's application for loan forgiveness. Accordingly, the Community derecognized \$163,712 of the PPP loan and recognized a corresponding gain on debt forgiveness in 2021, which is included in the statement of activities.

#### **Artwork**

The Community recognizes donations of artwork at the appraised fair market value on the date of donation. At December 31, 2022, the Community has artwork of \$100,543.

#### **Income taxes**

The Community is tax-exempt under Internal Revenue Code Section 501 (c)(3) and is required to operate in conformity with the Internal Revenue Code to maintain this qualification. The Community has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. Management has analyzed the tax positions taken by the Community and has determined that as of December 31, 2022, there were no material uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Generally, tax years from December 31, 2018 through the current year remain open to examination by the Internal Revenue Service. The Community does not believe that the results from any examination of these open years would have a material adverse effect on the Community.

#### **Risks and uncertainties**

Certain services of the Community are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Community will be able to obtain future grants as deemed necessary by management, although management believes that there is no current indication that grants and contracts are in jeopardy. The loss of certain current grants, or the inability to obtain future grants, could have an adverse effect on the Community's financial position and results of operations. Failure of the Community's to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

#### **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

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

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.

#### Adoption of new accounting pronouncements

The Community adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for most leases. The Community elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the financial statements.
- Use a risk-free discount rate.
- The package of practical expedients permitting the Community to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Community recognized the following as of the Adoption Date in connection with transitioning to Topic 842:

Operating right-of-use asset	\$ 1,105,022
Operating lease liability	(1,137,506)

The Community's adoption of Topic 842 also resulted in a decrease of \$32,484 in deferred rent, which amount was reclassified to operating lease right-of-use assets at adoption. The adoption of Topic 842 did not have a material impact on the Community's change in net assets for the year ended December 31, 2022.

The Community presents its right-of-use assets and lease liabilities for operating leases separately on its statement of financial position. Further the Community includes its right-of-use assets for finance leases within property, plant and equipment and the corresponding finance lease liabilities separately in its statement of financial position.

For the year ended December 31, 2022, the Community adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Community and will not change existing recognition and measurement requirements. The Community has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented. During the year ended December 31, 2022, the Community did not receive any contributed nonfinancial assets.

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

#### 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 Community's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

#### Subsequent events

The Community evaluated the impact of subsequent events through October 30, 2023, which is the date the financial statements were available to be issued.

#### Note 3 - 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, 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, 2022, the Community has the following financial assets and liquidity resources available over the next 12 months:

Cash	\$	610,674
Contributions and grants receivable		67,106
Investments		<u>3,768,862</u>
		4,446,642
Less endowment investments		<u>2,745,000</u>
	\$	<u><u>1,701,642</u></u>

#### Note 4 - Investments

Investments at December 31, 2022 consist of the following:

Equities	\$	2,099,797
Mutual funds		1,110,931
Debt securities		417,299
Money markets		<u>140,835</u>
	\$	<u><u>3,768,862</u></u>

The Community has partnership interest in some real estate. The fair value of the investment in partnerships has been measured on a nonrecurring basis using estimates with the best information available when there is little or no market data available. At December 31, 2022, the fair value of the Community's investment in partnerships is \$0 due to the equity losses incurred to date.

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

#### Note 5 - Fair value measurements

At December 31, 2022, 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	\$ 2,099,797	\$ -	\$ -	\$ 2,099,797
Mutual funds	1,110,931	-	-	1,110,931
Debt securities	-	417,299	-	417,299
Money markets	-	140,835	-	140,835
<b>Total</b>	<b>\$ 3,210,728</b>	<b>\$ 558,134</b>	<b>\$ -</b>	<b>\$ 3,768,862</b>

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, 2022, 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.

The Community's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer.

#### Note 6 - Property and equipment

At December 31, 2022, property and equipment consist of the following:

Leasehold improvements	\$ 683,000
Furniture and fixtures	131,880
Office equipment <sup>(1)</sup>	280,772
Software	37,800
	<u>1,133,452</u>
Accumulated depreciation and amortization	<u>(1,082,400)</u>
	<u><u>\$ 51,052</u></u>

<sup>(1)</sup> Includes finance lease right-of-use asset of \$124,321 as of December 31, 2022.

Depreciation and amortization expense for the year ended December 31, 2022 was \$32,856.

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

#### Note 7 - Leases

The Community leases office space and equipment. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the Community recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for prepaid lease costs, initial direct costs and lease incentives. The Community has elected and applies the practical expedient available to lessees to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. The Community remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

The Community determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Community uses the risk free rate on the date of lease commencement.

For accounting purposes, the Community's leases commence on the earlier of (i) the date upon which the Community obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Community's leases coincides with the contractual effective date. The Community's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Community and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless the Community determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

#### **Operating leases**

The lease of the Community's corporate office has a lease term of five years, which terms have been incorporated into the measurement of the related right-of-use assets and lease liabilities. Rental payments on this lease typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. These rental payments are recognized as rent expense.

#### **Finance leases**

Equipment leases have lease terms that generally range from less than one year to five years and generally do not have renewal options. Rental payments on these leases typically provide for fixed payments that increase over the lease term at predetermined amounts, are included in the measurement of lease payments, and are therefore included in the measurement of lease liabilities. Certain of the Community's leases involving equipment have purchase options. When those options are reasonably certain of being exercised, the Community reflects such purchase options when measuring the lease term and lease payments for those leases.



## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

#### Financial information

The following provides information about the Community's right-of-use assets and lease liabilities for its operating and finance leases as of December 31, 2022:

	Statement of Financial Position classification	
Right-of-use assets		
Operating leases	Operating right-of-use asset	\$ 839,181
Finance leases	Property and equipment, net	43,512
		\$ 882,693
Lease liabilities		
<i>Current</i>		
Operating leases	Operating lease liability - current	\$ 279,501
Finance leases	Finance lease liability - current	27,576
<i>Noncurrent</i>		
Operating leases	Operating lease liability	599,218
Finance leases	Finance lease liability	19,957
		\$ 926,252

The components of Community's lease cost for the year ended December 31, 2022 are as follows:

	Statement of Functional Expenses classification	
Operating lease cost		
Rent expense	Occupancy	\$ 277,108
Finance lease cost		
Amortization expense	Depreciation and amortization	24,864
Interest expense	Interest	2,934
Total finance lease cost		27,798
Total lease costs		\$ 304,906

Weighted average remaining lease term and weighted average discount rate for the Community's leases as of December 31, 2022:

	Operating leases	Finance leases
Weighted average remaining term (in years)	3.1	1.8
Weighted average discount rate <sup>(1)</sup>	1.13%	0.98%

<sup>(1)</sup> The Community has elected to use risk-free rates as the discount rate for all its leases involving other classes of underlying assets. The Community uses rates on US government securities for periods comparable with lease terms as risk-free rates.

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

Annual maturity analysis of the Community's lease liabilities as of December 31, 2022:

Calendar Year	Operating leases	Finance leases	Total
2023	\$ 279,501	\$ 27,576	\$ 307,077
2024	289,286	22,980	312,266
2025	299,418	-	299,418
2026	25,749	-	25,749
	893,954	50,556	944,510
Less effects of discounting	(15,235)	(3,023)	(18,258)
	<u>\$ 878,719</u>	<u>\$ 47,533</u>	<u>\$ 926,252</u>

#### Cash and noncash activity

During the year ended December 31, 2022, the Community paid \$296,844 for amounts included in the measurement of lease liabilities, which are included in operating cash flows. Noncash investing and financing activities included increases in leased assets of \$1,137,506, which were obtained from lease liabilities.

#### Note 8 - Debt

During the year ended December 31, 2022, the Community entered into an unsecured promissory note with a bank for \$500,000. The loan carries an interest rate of 4% and matures in June 2031. Effective June 2022, the Community was required to make monthly payments of principal and interest in the amount of \$5,534. At December 31, 2022, the balance outstanding was \$476,143.

Maturities of the note payable are as follows:

2023	\$ 47,883
2024	49,872
2025	51,944
2026	54,102
2027	56,350
Thereafter	<u>215,992</u>
	<u>\$ 476,143</u>

#### Line of credit

The Community has available a revolving line of credit with a bank for \$450,000 and maturing in February 2025. Borrowings under the line of credit bore interest of 3.5% per annum at December 31, 2022. All borrowings were collateralized by substantially all assets of the Community. The outstanding balance on the line of credit was \$450,000 as of December 31, 2022. In March 2023, the Community paid the \$450,000 outstanding balance in full.

**Cancer Support Community Los Angeles**

**Notes to Financial Statements  
December 31, 2022**

**Note 9 - Net assets**

At December 31, 2022, net assets with donor restrictions are restricted for the following purposes:

Time and purpose	
Foundation grants	\$ 15,000
Endowment	(298,212)
Perpetual	
Endowment	<u>2,745,000</u>
	<u><u>\$ 2,461,788</u></u>

**Note 10 - Endowments**

The Community's endowment includes 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, 2022, 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.

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, 2022, funds with original gifts valued of \$2,745,000 were included in the net assets with donor restrictions.

## Cancer Support Community Los Angeles

### Notes to Financial Statements December 31, 2022

Endowment net assets composition by type of funds as of December 31, 2022, consists of the following:

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetual	
Donor-restricted endowment funds	\$ 298,212	\$ (298,212)	\$ 2,745,000	\$ 2,745,000
Endowment assets, end	<u>\$ 298,212</u>	<u>\$ (298,212)</u>	<u>\$ 2,745,000</u>	<u>\$ 2,745,000</u>

Changes in endowment net assets for the year ended December 31, 2022 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	-	(298,212)	-	(298,212)
Contribution	298,212	-	-	298,212
Endowment assets, end	<u>\$ 298,212</u>	<u>\$ (298,212)</u>	<u>\$ 2,745,000</u>	<u>\$ 2,745,000</u>

#### Note 11 - Concentrations

Financial instruments which potentially subject the Community to concentrations of credit risk consist primarily of cash, contributions receivable, and investments. The Community maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Community's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Community's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

For the year ended December 31, 2022, one donor accounted for approximately 19% of the Community's total grants and contributions.

#### Note 12 - 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, 2022.



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**