

CANCER SUPPORT COMMUNITY - REDONDO BEACH

FINANCIAL STATEMENTS

and

ACCOUNTANTS' REPORT

For the Year Ended December 31, 2017

Timothy J Lilligren  
Certified Public Accountant  
1001 6<sup>th</sup> Street, Suite 150  
Manhattan Beach, CA 90266

## **Report of Independent Auditor**

Board of Directors  
Cancer Support Community – Redondo Beach

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

I have audited the accompanying financial statements of the Cancer Support Community-Redondo Beach, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cancer Support Community – Redondo Beach as of December 31, 2017, 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.

A handwritten signature in black ink, reading "Timothy J. Elger". The signature is written in a cursive style with a large, stylized 'T' and 'E'.

August 9, 2018

# CANCER SUPPORT COMMUNITY - REDONDO BEACH

## Statement of Financial Position

December 31, 2017

### ASSETS

Current Assets	
Cash and cash equivalents	\$ 818,217
Cash - certificates of deposit	304,384
Investments held in trust	22,318
Marketable securities	3,920,926
Accrued interest and dividends	<u>3,043</u>
Total Current Assets	<u>5,068,888</u>
Property and Equipment	
Furniture and fixtures	65,160
Leasehold improvements	<u>6,851</u>
	72,011
Accumulated depreciation	<u>(66,624)</u>
Total Property and Equipment	<u>5,387</u>
Other Assets	
Deposits	<u>2,562</u>
Total Other Assets	<u>2,562</u>
TOTAL ASSETS	<u><u>\$ 5,076,837</u></u>

### LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses	<u>\$ 24,384</u>
Total Current Liabilities	<u>24,384</u>
Net Assets	
Legacy fund	4,237,313
General unrestricted	<u>815,140</u>
Total Net Assets	<u>5,052,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,076,837</u></u>

See accompanying notes to financial statements.

CANCER SUPPORT COMMUNITY - REDONDO BEACH  
Statement of Activities and Changes In Net Assets  
For the Year Ended December 31, 2017

UNRESTRICTED NET ASSETS	
Support and Revenue	
Grants and donations	\$ 397,960
Special events	564,253
Investment Income	249,724
Contributed Services	34,463
	<u>1,246,400</u>
Net assets released from restrictions	40,242
Total support and revenue	<u>1,286,642</u>
Expenses	
Program Services	775,334
Fundraising	75,977
Management and Administrative	108,451
Total Expenses	<u>959,762</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>326,880</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and revenues	40,242
Net assets released from restrictions	(40,242)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>0</u>
INCREASE IN NET ASSETS	326,880
NET ASSETS AT BEGINNING OF YEAR	<u>4,725,573</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 5,052,453</u></u>

CANCER SUPPORT COMMUNITY - REDOND BEACH

Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services	Fundraising	General and Administrative	Total
Accounting	\$ 1,543	\$ 771	\$ 771	\$ 3,085
Affiliate dues and costs	6,250		6,250	12,500
Bank and payroll expenses	7,250	3,625	3,625	14,500
Computer and software	13,188			13,188
Contributed services	34,463			34,463
Depreciation	2,981	350	424	3,755
Dues and subscriptions	293		293	586
Equipment rental and maintenance	2,430		2,430	4,860
Insurance	27,637	2,145	5,720	35,502
Kitchen supplies	2,860		1,409	4,269
Office	5,172	1,569	3,363	10,104
Outside services	1,420			1,420
Parking	791		791	1,582
Postage	4,100	727	363	5,190
Printing	14,748			14,748
Program costs, miscellaneous	7,352			7,352
Community outreach and education	851	106	5,240	6,197
Rent	101,897	4,829	2,016	108,742
Salaries	491,517	57,143	70,050	618,710
Seminars	8,465			8,465
Taxes - payroll	34,760	4,082	4,943	43,785
Telephone	5,366	630	763	6,759
Total Expenses	<u>\$ 775,334</u>	<u>\$ 75,977</u>	<u>\$ 108,451</u>	<u>\$ 959,762</u>

See accompanying notes to financial statements.

# CANCER SUPPORT COMMUNITY - REDONDO BEACH

## Statement of Cash Flows

For the Year Ended December 31, 2017

Cash flows from operating activities	
Increase in net assets	\$ 326,880
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	3,754
Unrealized gains on securities	167,593
Changes in assets and liabilities:	
(Increase) decrease in account receivable	1,500
(Increase) decrease in prepaid expenses	789
Increase (decrease) in accounts payable	4,357
Total adjustments	177,993
Net cash provided (used) by operating activities	504,873
Cash flows from investing activities:	
Net purchases of investments	(2,127,715)
Net cash provided (used) by investing activities	(2,127,715)
Net increase (decrease) in cash and equivalents	(1,622,842)
Cash and equivalents, beginning of year	2,745,443
Cash and equivalents, end of year	\$ 1,122,601

See accompanying notes to financial statements.

## CANCER SUPPORT COMMUNITY – REDONDO BEACH

### Notes to Financial Statements

December 31, 2017

#### **Note 1 - Description of the Organization**

Cancer Support Community-Redondo Beach (the “Community”, a non-profit organization formerly known as the Wellness Community South Bay Cities, Inc.) offers a free program for cancer patients, and their families and loved-ones. The Community’s goal is to help as many cancer patients as possible recover from the physical and emotional effects of cancer to the greatest extent possible. The psychological support and educational programs are designed to address the loss of control, hopelessness, and social isolation that cancer patients and their families often experience.

Such programs include group sessions, counseling led by licensed therapists, education, and social services for patients and their loved ones. During 2017 the Community received over 20,167 visits from over 2,027 participants, including over 100 children in their Kid’s Community program. The Community has been able to offer free programs through the generous support of individuals, corporations, foundations, and through year-round special fundraising events.

The Community maintains a license agreement with Cancer Support Community, a national non-profit organization based on Washington DC. The Community maintains corporate and financial independence, but the agreement licenses the Community to use certain intellectual property helpful in carrying out their mutual mission. The current agreement and license fees remain effective through 2018.

#### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of Cancer Support Community – Redondo Beach are prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

##### **A) Fixed Assets and Depreciation**

Fixed assets are recorded at cost. Depreciation is taken over the assets estimated useful lives of 5 and 20 years using the straight line method.

##### **B) Revenue and Support Recognition**

The majority of the Community's revenues are derived from unrestricted grants and donations without requirements to provide services over a specific period of time. These revenues are recorded at the time of receipt.

Certain grants have a requirement to provide services over a period of time for which the grant is distributed after those services are provided. These revenues are recorded at the time they are earned.



CANCER SUPPORT COMMUNITY – REDONDO BEACH  
Notes to Financial Statements  
December 31, 2017

**Note 2 - Summary of Significant Accounting Policies (continued)**

**C) Cash Equivalents**

For purposes of these statements, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less and Certificates of Deposits with immaterial early withdrawal penalties to be cash equivalents.

**D) Income Taxes**

The Cancer Support Community – Redondo Beach has received exemption from taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

**E) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

**F) Investments**

Investments are carried at fair value and consist of money market funds, stocks, negotiable bonds, and an investment pool.

**G) Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs were allocated using actual expenditures, building square footage usage, time spent, and management's estimates.

**Note 3 – Fair Value Measurements of Legacy Fund and Other**

FAS 157 defines fair value as the price that would be received to sell an asset or liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. FAS 157 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement.

CANCER SUPPORT COMMUNITY – REDONDO BEACH  
Notes to Financial Statements  
December 31, 2017

**Note 3 – Fair Value Measurements of Legacy Fund and Other (continued)**

The FAS 157 fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

**Legacy Fund** - During November 2015 an individual bequeathed a \$4 million unrestricted planned gift to the Community. The gift has been segregated as a board-designated asset to ensure the long-term funding of the Community's operations. The Organization invests the Legacy Fund in marketable securities with an overall objective of long-term growth and income. Any draws from the Legacy Fund must be approved by the Board of Directors.

Legacy Fund investments include cash and cash equivalents, equity funds, exchange traded funds, bond funds, and corporate bonds. All Legacy Fund assets were categorized as Level 1 as of December 31, 2017.

**Certificates of deposit** - Certificates of deposit (CDs) are a time deposit. CDs are similar to savings accounts in that they are insured and thus virtually risk free (Level 1).

**Investment held in trust** - The Community has an investment in an investment pool held by The California Community Foundation which is composed of various marketable securities. The Community does not have authority to choose what investments are purchased and held but can withdrawal its share at any time with notice. Unrealized gains and losses are recorded as income in the year in which they occur. The investment held in trust is categorized as Level 3 as of December 31, 2017.

CANCER SUPPORT COMMUNITY – REDONDO BEACH  
Notes to Financial Statements  
December 31, 2017

**Note 3 – Fair Value Measurements of Legacy Fund and Other (continued)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization 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.

All of the Organization's assets are measured at fair value on a recurring basis. Asset categories and their fair value classifications are disaggregated as follows at December 31, 2017:

	Legacy Fund	General Fund
Level 1		
Cash and cash equivalents	\$ 313,343	\$
Fixed income securities	433,790	
Equities and exchange traded funds	3,490,180	
Certificate of deposit		304,384
Level 3		
Investment held in-trust		22,318
	<u>\$ 4,237,313</u>	<u>\$ 326,702</u>

The following table sets forth a summary of changes in the fair value of the Community's assets during the year ended December 31, 2017:

	Legacy Fund	Certificates of Deposit	Investment Held in-Trust
Beginning value of investments	\$ 4,006,233	\$ 215,383	\$ 19,413
Purchases	2,197,706	100,000	
Sales	(2,197,706)		
Transfers out	(9,540)	(13,527)	
Dividends and interest re-invested	110,740	2,528	430
Investment fees	(19,955)		(159)
Realized losses	(15,124)		
Unrealized Gains	164,959		2,634
	<u>\$ 4,237,313</u>	<u>\$ 304,384</u>	<u>\$ 22,318</u>

CANCER SUPPORT COMMUNITY – REDONDO BEACH

Notes to Financial Statements

December 31, 2017

**Note 4 - Restrictions on Net Assets**

Certain donations are received with the restriction that the funds are used solely for providing services. These donations are released from restrictions as appropriate expenses are incurred.

**Note 5 - Contributed Services**

Support arising from contributed services of professionals has been recognized in the accompanying financial statements for 2017. Recognition was applied to those services which were an integral part of the efforts of the organization and where there was a clearly measurable basis for the amount recorded.

There were a substantial number of additional volunteers who have donated significant amounts of their time in program services and fundraising activities. These have not been reflected in the statements inasmuch as no objective basis is available to measure the value of such services.

**Note 6 – Leases**

The Community maintained an operating lease for its Redondo Beach Offices and programs that expired in January 2018. The Community continues to lease the offices under a month-to-month arrangement requiring monthly payments of \$8,223. Management is currently negotiating a long-term lease with the landlord.

Rent expense for 2017 was \$ 108,741.

**Note 7 – Fundraising**

The Community sponsored various fundraising special events during 2017. The income and costs to provide those activities are as follows:

Event	Gross Receipts	Costs of Direct Benefits	Net Revenues
Girl's Night Out	\$ 233,150	\$ 30,829	\$ 202,321
Celebrate Wellness	215,758	49,692	166,066
Tour de Pier	136,368	865	135,503
Other Events	60,771	408	60,363
	<u>\$ 646,047</u>	<u>\$ 81,794</u>	<u>\$ 564,253</u>

CANCER SUPPORT COMMUNITY – REDONDO BEACH  
Notes to Financial Statements  
December 31, 2017

**Note 8 - Subsequent Events**

Subsequent events have been evaluated through the date of the financial statements were issued, August 9, 2018.