CANCER SUPPORT COMMUNITY SOUTH BAY

(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

with

INDEPENDENT AUDITOR'S REPORT THEREON

INDEX

Timothy J Lilligren
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Independent Auditor's Report

To the Board of Directors
Cancer Support Community South Bay

Opinion

We have audited the financial statements of Cancer Support Community South Bay (the "CSCSB," a California nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 CSCSB, as of December 31, 2021, and the results of its operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CSCSB 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.

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 the CSCSB's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 the CSCSB's 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 Company's 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.

Timothy J. Lilligren

Manhattan Beach, California
August 2, 2022

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	1,416,096
Prepaids		8,488
Contributions receivable		80,000
Investments		8,076,974
		9,581,558
LONG-TERM ASSETS		
Property and equipment, net		50,842
Security deposit		18,763
	$	9,651,163

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	90,619
CARES ACT PPP LOAN PAYABLE		147,000
		237,619
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Legacy Fund		9,194,194
Undesignated		219,350
		9,413,544
	$	9,651,163

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions	With donor restrictions	Total
OPERATING REVENUE AND SUPPORT			
Grants and contributions	$ 811,041	$ 15,080	$ 826,121
Special events, net	413,727	-	413,727
Contributed services	31,283	-	31,283
Investment return appropriated for operations	195,027	-	195,027
Net assets released from restrictions	15,080	(15,080)	-
	1,466,158	-	1,466,158
OPERATING EXPENSES			
Program services	821,227	-	821,227
Supporting services	97,664	-	97,664
Fundraising	166,677	-	166,677
	1,085,568	-	1,085,568
CHANGE IN NET ASSETS FROM OPERATIONS	380,590	-	380,590
NON-OPERATING REVENUE AND SUPPORT			
Investment return, in excess of amounts appropriated for operations	582,830	-	582,830
Forgiveness of CARES Act PPP loan	147,000	-	147,000
CHANGE IN NET ASSETS	1,110,420	-	1,110,420
NET ASSETS, beginning of year	8,303,124	-	8,303,124
NET ASSETS, end of year	$ 9,413,544	$ -	$ 9,413,544

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services	Fundraising	Total Expenses
Salaries and wages	$ 556,583	$ 71,675	$ 128,260	$ 756,518
Payroll taxes	43,988	5,664	10,137	59,789
Employee benefits	29,299	5,565	7,599	42,463
Personnel expenses	629,870	82,904	145,996	858,770
Rent	35,368	443	1,932	37,743
Community outreach	28,197	-	3,613	31,810
Computer and software	19,788	2,638	3,958	26,384
Affiliate dues and costs	19,806	-	-	19,806
Outside services	6,051	4,501	2,825	13,377
Depreciation	8,654	1,153	1,731	11,538
Bank and payroll costs	6,561	-	4,374	10,935
Insurance	7,617	2,539	-	10,156
Office	6,556	2,530	437	9,523
Equipment	6,469	81	354	6,904
Telephone	5,289	294	294	5,877
Printing	4,327	383	767	5,477
Postage	2,235	198	396	2,829
Seminars	1,600	-	-	1,600
Program costs	1,556	-	-	1,556
Contributed services	31,283	-	-	31,283
	$ 821,227	$ 97,664	$ 166,677	$ 1,085,568

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,110,420
Adjustments to reconcile change in net assets to net cash from operating activities:	
Unrealized and realized gain on investments	(582,830)
Depreciation and amortization	11,538
Forgiveness of CARES Act PPP loan payable	(147,000)
Changes in operating assets and liabilites:	
Contributions receivable	(72,000)
Prepaid expenses	(8,488)
Accounts payable and accrued expenses	(5,423)
Net cash flows from operating activities	306,217
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposits paid	(16,201)
Purchase of property and equipment	(7,654)
Proceeds from sales of investments	3,728,049
Purchases of investments	(5,346,306)
Net cash flows from investing activities	(1,642,112)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from CARES Act PPP loan payable	147,000
Net cash flows from financing activities	147,000
Net change in cash and cash equivalents	(1,188,895)
Cash and cash equivalents, beginning of year	2,604,991
Cash and cash equivalents, end of year	$ 1,416,096

NOTE 1 - ORGANIZATION

Cancer Support Community South Bay (the "CSCSB", a non-profit corporation formerly known as the Cancer Support Community Redondo Beach) offers a free program for cancer patients, and their families and loved-ones. CSCSB'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. CSCSB has been able to offer free programs through the generous support of individuals, corporations, foundations, and through year-round special fundraising events. During 2021 CSCSB continued to adapt to government-imposed social distancing restrictions by offering its programs through a safe, virtual environment. Despite those challenges, CSCSB received over 15,500 visits from nearly 1,200 participants.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as gifts to an endowment, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when restrictions expire, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measure of operations - CSCSB's operating revenues in excess of operating expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restriction to support operating expenditures, and appropriations of board-designated and other non-operating funds to support current operating activities. The measure of operations includes interest and dividends from investments, net of investment management fees. The measure of operations excludes realized and unrealized gains and losses on investments.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Grants and contributions - Grants and contributions are recognized at a fair value when the donor makes an unconditional promise to give to CSCSB. Conditional promises to give (with a barrier and right of return) are not recognized until the conditions on which they depend have been met. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Concentration of credit risk - The assets that potentially subject CSCSB to concentration of credit risk consist of cash equivalents, contributions receivable, and investments.

Cash and cash equivalents - For purposes of reporting cash flows, cash and cash equivalents include operating cash held in banks, savings accounts, investments purchased with original maturities of ninety days or less, and certificates of deposit with immaterial early withdrawal penalties. CSCSB maintains its cash balances in financial institutions, the balances of which may, at times, exceed federally insured limits.

Fair value of financial instruments - Financial instruments primarily consist of contributions receivable and investments. The Organization estimates that the fair value of its financial instruments at December 31, 2021 do not differ materially from its aggregate carrying value recorded. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair value measurements - The Organization defines fair value as 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. The company measures fair value under a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), moderate priority to valuations based on observable inputs, such as market prices of similar assets and liabilities (level 2), and the lowest priority to unobservable inputs (level 3 measurements).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments - Investments in marketable securities are classified as available for sale and reported at fair value as determined by quoted market prices in an active market. Realized gains and losses (computed by the specific identification method) and unrealized gains and losses are included in the statement of activities. Interest and dividend income are recorded on the accrual basis of accounting.

The Organization's investments are managed by a third-party investment manager who adheres to a board-approved investment policy statement restricting the asset allocation based on risk tolerance.

Property and equipment - Property and equipment are recorded at cost with the exception of donated equipment, which is stated at fair market value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of up to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated lives for the term of the lease. Normal repairs and maintenance are expensed as incurred. Expenditures that materially adapt, improve, or alter the nature of the underlying assets are capitalized. When equipment is retired or otherwise disposed, of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

CSCSB 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 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.

Expense allocation - The costs of providing various program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to specific functional areas of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the number of employees involved or the amount of time spent. Functional expenses are an expense of the year in which incurred and, accordingly, are charged to operations on a current basis.

> *Program services* - Expenses include costs that primarily relate to client services and outreach programs.
>
> *Supporting services* - Expenses include costs that primarily relate to management and general administration.
>
> *Fundraising* - Expenses include costs that primarily relate to fundraising activities to obtain grants and generate revenue through contributions.

Contributed services - Contributed services are recognized by CSCSB if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

CSCSB receives a significant amount of contributed time from volunteers that does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Income taxes - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended December 31, 2021, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

As of December 31, 2021, the Organization's federal tax returns since 2018 and state tax returns since 2017 remain open for examination by the tax jurisdictions. No tax returns are currently being examined by any taxing authorities.

Risks and uncertainties - Certain services of the Organization are governed by grants and contracts from governmental agencies and private sources. There can be no assurance that the Organization 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 Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

Subsequent events - Subsequent events have been evaluated by CSCSB through August 2, 2022, which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as December 31, 2021, reduced by amounts not available for general use within one year of the balance sheet date because of internal designations. Amounts not available include amounts set aside for board designated purposes that could be drawn upon if the governing board approves that action.

	Legacy Fund	Undesignated	Total
Cash and cash equivalents	$ 1,117,220	$ 298,876	$ 1,416,096
Contributions receivable	-	80,000	80,000
Investments	8,076,974	-	8,076,974
	$ 9,194,194	$ 378,876	$ 9,573,070

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's goal is to maintain financial assets on hand to meet at least six months of normal operating expenses which, on average, totals approximately $90,000 per month given full programmatic expenditures.

During March 2020 the World Health Organization declared the spread of Coronavirus disease, or COVID-19, a worldwide pandemic. The COVID-19 pandemic had significant effects on global markets, supply chains, businesses, and communities. CSCSB adapted to government-imposed social distancing restrictions by offering its program through a safe, virtual environment. However, the restrictions have negatively impacted CSCSB's 2020 and 2021 special events fundraising. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Legacy Fund - In 2015 CSCSB formed a Legacy Fund when an individual bequeathed a $4 million unrestricted planned gift. Gifts to the Legacy Fund are segregated as board-designated assets to ensure the long-term funding of CSCSB's operations. The Organization invests the Legacy Fund primarily in marketable securities with an overall objective of long-term growth and income. Interest and dividends are available for current operations if approved, while realized and unrealized gains and losses on investments are non-operating revenues. Any draws from the Legacy Fund must be approved by the Board of Directors.

CSCSB received nearly $475,000 in planned gifts to the Legacy Fund during 2021.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

Equities and exchange traded funds - Investments in equities and exchange traded funds are measured using Level 1 under the fair value hierarchy and are valued at the closing price reported on the active market on which they are traded.

Fixed income securities - Investments in bond funds and corporate bonds are measured using Level 1 under the fair value hierarchy and are valued at the closing price reported on the active market on which they are traded.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although CSCSB 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 following table provides the fair value for each major category of investments, all of which are Level 1 and included in the Legacy Fund at December 31, 2021:

Equities and exchange traded funds	$ 6,337,194
Fixed income securities	1,739,780
	$ 8,076,974

CSCSB had an investment in an investment pool held by The California Community Foundation which is composed of various marketable securities at the beginning of the year. CSCSB did not have authority to choose what investments were purchased and held but could withdrawal its share at any time with notice. Unrealized gains and losses were recorded as income in the year in which they occur. The investment held in trust was categorized as Level 3, but CSCSB sold its share during 2021.

The following table sets forth a summary of changes in the fair value of CSCSB's investments during the year ended December 31, 2021:

	Investments in Legacy Fund	Investment held-in-trust	Total
Beginning value of investments	$ 5,874,755	$ 1,132	$ 5,875,887
Purchases	5,151,193	-	5,151,193
Interest and dividends	240,011	-	240,011
Unrealized gains	428,906	-	428,906
Sales	(3,726,917)	(1,132)	(3,728,049)
Realized gains	153,924	-	153,924
Investment fees	(44,898)	-	(44,898)
	$ 8,076,974	$ -	$ 8,076,974

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 consists of:

Furniture and office equipment	$	80,484
Leasehold improvements		36,535
		117,019
Less: accumulated depreciation and amortization		(66,177)
	$	50,842

NOTE 6 - CARES ACT PPP FORGIVEABLE LOANS PAYABLE

In April 2020, CSCSB obtained a low-interest loan in the amount of $147,000 from a financial institution, in connection with the U.S. Small Business Administration's (the "SBA") Paycheck Protection Program (the "PPP Loan"). In April 2021, the PPP Loan was forgiven based on the Company's use of the proceeds for its payroll costs and other expenses in accordance with the requirements of the CARES Act. The amount is recognized as revenue during 2021.

In February 2021, the Company secured a second PPP loan of $147,000 from the same financial institution. The second round of PPP funding has similar circumstance and terms to the first round of funding. In February 2022, the second PPP Loan was forgiven based on the Company's use of the proceeds for its payroll costs and other expenses in accordance with the requirements of the CARES Act. The amount forgiven will be subsequently recognized as revenue during 2022.

NOTE 7 - SPECIAL EVENTS, net

CSCSB sponsored various fundraising special events during 2021. The income and costs to provide those activities are as follows:

		Gross revenues		Direct expenses		Net revenues
Celebrate Wellness	$	342,966	$	95,916	$	247,050
Tour de Pier		80,000		-		80,000
Other events		88,470		1,793		86,677
	$	511,436	$	97,709	$	413,727

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor consisted of $15,080 received from a local public agency dedicated to enhancing community health in Redondo Beach and its surrounding communities. CSCSB met the donor's criteria to release restrictions during the year ended December 31, 2021.

NOTE 9 - FACILITY LEASE

Due to the restrictions of conducting in-person programs, CSCSB operated from smaller Redondo Beach facility that required monthly payments of $2,468 through February 2022. The facility was primarily used for administrative use while programs were facilitated virtually.

With the prospect of commencing in-person programs in 2022, CSCSB commenced a long-term lease for an expanded facility located in Torrance, California in February 2022. The lease requires monthly payments of $13,975 through January 2023 with 3% annual increases through March 2027. The lease also includes 50% abatement during the first four months, and an option to extend the lease for an additional five-year term.

Future minimum lease payments for each year ending December 31 are:

2022	$ 125,779
2023	172,317
2024	177,487
2025	182,811
2026	188,296
Thereafter	48,132
	$ 894,822

NOTE 10 - RETIREMENT PLAN

CSCSB provides a tax-deferred annuity plan qualified under Section 403(b) of the Code that covers all eligible employees of the Organization. Eligible employees may make contributions to the plan up to the maximum amount allowed under the Code. The Organization makes safe harbor contributions to the plan equal to 3% of the eligible employee's salary after one year of service. The Organization contributed $22,586 to the plan during the year ended December 31, 2021.