

Cancer Support Community South Bay

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

December 31, 2023

Cancer Support Community South Bay

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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 (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 South Bay, as of December 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cancer Support Community South Bay 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 Statement

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 South Bay's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 Cancer Support Community South Bay'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 Cancer Support Community South Bay'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.



Los Angeles, California
October 17, 2024

Cancer Support Community South Bay

**Statement of Financial Position
December 31, 2023**

Assets

Current assets	
Cash and cash equivalents	\$ 956,096
Contributions receivable	10,853
Investments	<u>8,929,740</u>
Total current assets	<u>9,896,689</u>
Other assets	
Property and equipment, net	45,802
Security deposits	16,201
Operating right-of-use asset	<u>558,525</u>
Total other assets	<u>620,528</u>
Total assets	<u><u>\$ 10,517,217</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 102,341
Operating lease liability - current portion	<u>177,055</u>
Total current liabilities	279,396
Operating lease liability - net of current portion	<u>415,577</u>
Total liabilities	<u>694,973</u>
Commitments and contingencies	
Net assets	
Without donor restrictions	
Legacy Fund	9,744,258
Undesignated	<u>77,986</u>
Total net assets	<u>9,822,244</u>
Total liabilities and net assets	<u><u>\$ 10,517,217</u></u>

See Notes to Financial Statements.

Cancer Support Community South Bay

**Statement of Activities
Year Ended December 31, 2023**

Operating revenues and support	
Grants and contributions	\$ 1,252,658
Special events, net of expenses of \$160,487	428,040
Contributed services	35,552
Other income	<u>4,928</u>
Total operating revenues and support	<u>1,721,178</u>
Operating expenses	
Programs services	1,104,758
General and administrative	179,022
Fundraising	<u>171,025</u>
Total operating expenses	<u>1,454,805</u>
Change in net assets from operating activities	266,373
Nonoperating activities	
Investment gain	<u>975,419</u>
Total nonoperating activities	<u>975,419</u>
Change in net assets	1,241,792
Net assets, beginning	<u>8,580,452</u>
Net assets, end	<u><u>\$ 9,822,244</u></u>

See Notes to Financial Statements.

Cancer Support Community South Bay

Statement of Functional Expenses Year Ended December 31, 2023

	Program services	General and administrative	Fundraising	Total
Salaries and wages	\$ 601,772	\$ 104,710	\$ 101,967	\$ 808,449
Payroll taxes	47,703	8,300	8,083	64,086
Employee benefits	34,466	7,244	7,112	48,822
Personnel expenses	683,941	120,254	117,162	921,357
Bank charges	5,746	-	3,830	9,576
Computer and software	36,105	4,814	7,221	48,140
Contractual services - program	3,052	-	-	3,052
Contractual services - events	16,929	8,464	8,464	33,857
Contributed services	35,552	-	-	35,552
Depreciation	7,657	1,049	701	9,407
Entertainment and meetings	8,964	4,415	-	13,379
Equipment and maintenance	3,853	528	353	4,734
Insurance	7,364	1,415	1,415	10,194
National fees	15,992	-	-	15,992
Office expenses	6,351	1,956	1,466	9,773
Parking and mileage	269	134	134	537
Planned giving	-	-	140	140
Postage	2,105	187	373	2,665
Printing	13,647	1,210	2,418	17,275
Professional fees	62,114	13,876	12,560	88,550
Program expense	17,152	-	-	17,152
Public relations	15,561	-	819	16,380
Rent	148,220	20,302	13,566	182,088
Security	342	47	31	420
Seminars and training	7,153	-	-	7,153
Telephone	6,689	371	372	7,432
Total expenses	\$ 1,104,758	\$ 179,022	\$ 171,025	\$ 1,454,805

See Notes to Financial Statements.

Cancer Support Community South Bay

Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ 1,241,792
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Amortization expense - right-of-use leased asset	1,208
Depreciation	9,407
Realized and unrealized gain on investments	(975,419)
Change in operating assets and liabilities	
Contributions receivable	(6,403)
Accounts payable and accrued expenses	6,919
	<hr/>
Net cash provided by operating activities	277,504
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Cash flows from investing activities	
Purchases of investments	(4,122,968)
Proceeds from sales of investments	4,019,375
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Net cash used in investing activities	(103,593)
	<hr/>
Net increase in cash and cash equivalents	173,911
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Cash and cash equivalents, beginning	782,185
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Cash and cash equivalents, end	\$ 956,096
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See Notes to Financial Statements.

Cancer Support Community South Bay

Notes to Financial Statements December 31, 2023

Note 1 - Organization

Cancer Support Community South Bay ("CSCSB") is a California based 501(c)(3) organization that offers free programs for cancer patients and their 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 and individual 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.

CSCSB maintains a license agreement with Cancer Support Community, a national non-profit organization based in Washington, D.C. 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 accounting

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

Financial statement presentation

CSCSB reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, which are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets may be designated for specific purposes by action of the Board.

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, 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. At December 31, 2023, CSCSB does not have any net assets with donor restrictions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits. CSCSB considers all highly liquid investments with a maturity at date of purchase of three months or less to be cash equivalents.

Investments

Investments in marketable securities are classified as available for sale and are reported at their 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 investment income

Cancer Support Community South Bay

Notes to Financial Statements December 31, 2023

or loss, net of any investment fees in the statements of activities. Dividend income is recorded based upon the ex-dividend date and interest income is recorded as earned on an accrual basis.

CSCSB's investments are managed by two third-party investment managers who adhere to a board-approved investment policy statement restricting the asset allocation based on risk tolerance. CSCSB 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 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. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

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.

Grants and contributions

Grants and contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence or nature of any donor restrictions. Grants and 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. Grants and 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. Grants and 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, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. At December 31, 2023, CSCSB did not have any conditional contributions.

Cancer Support Community South Bay

Notes to Financial Statements December 31, 2023

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.

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.

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.

Use of estimates

The preparation of 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.

Fair value measurements

CSCSB 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 prioritizes observable and unobservable inputs 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.

Functional allocation of expenses

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 presents expenses by function and natural classification. Expenses directly attributable to specific functional areas of CSCSB are reported as expenses of those functional areas while indirect costs that benefit

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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

This category represents programmatic expenses primarily related to client services and outreach programs.

General and administrative

This category represents expenses related to the overall administration and operation of CSCSB that are not specific to program or fundraising activities.

Fundraising

This category represents expenses primarily related to fundraising activities to obtain grants and generate revenue through contributions.

Income taxes

CSCSB 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. CSCSB 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 CSCSB and has determined that as of December 31, 2023, 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, 2020 through the current year remain open to examination by the Internal Revenue Service. CSCSB does not believe that the results from any examination of these open years would have a material adverse effect on the organization.

Risks and uncertainties

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

Adoption of new accounting pronouncement

On January 1, 2023, CSCSB adopted Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Statements* ("ASC 326"), and its related amendments using the prospective method. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the

Cancer Support Community South Bay

Notes to Financial Statements December 31, 2023

instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred.

In accordance with ASC 326, CSCSB evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions to determine the appropriate allowance for credit losses. The adoption of ASC 326 did not result in any cumulative adjustments to the financial statements.

Subsequent events

CSCSB evaluated the impact of subsequent events through October 17, 2024, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

CSCSB's goal is to maintain financial assets on hand to meet at least six months of normal operating expenses which, on average, totals approximately \$120,000 per month given full programmatic expenditures. CSCSB regularly monitors liquidity required to meet its operating needs and other contractual commitments. CSCSB has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CSCSB 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 CSCSB and meets regularly with CSCSB's financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

The following reflects CSCSB's financial assets as December 31, 2023, 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.

	<u>Legacy Fund</u>	<u>Undesignated</u>	<u>Total</u>
Cash and cash equivalents	\$ 814,518	\$ 141,578	\$ 956,096
Contributions receivable	-	10,853	10,853
Investments	<u>8,929,740</u>	<u>-</u>	<u>8,929,740</u>
	<u>\$ 9,744,258</u>	<u>\$ 152,431</u>	<u>\$ 9,896,689</u>

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. CSCSB 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.

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Notes to Financial Statements December 31, 2023

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.

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, 2023:

Equities and exchange traded funds	\$ 6,897,987
Fixed income securities	1,896,753
Money market funds	<u>135,000</u>
	<u>\$ 8,929,740</u>

Note 5 - Property and equipment

Property and equipment at December 31, 2023 consists of:

Furniture and office equipment	\$ 49,084
Leasehold improvements	<u>14,622</u>
	63,706
Accumulated depreciation	<u>(17,904)</u>
	<u>\$ 45,802</u>

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Notes to Financial Statements December 31, 2023

Note 6 - Special events, net

CSCSB sponsored various fundraising special events during 2023. The income and costs to provide those activities are as follows:

	Gross revenues	Direct expenses	Net revenues
Celebrate Wellness	\$ 428,742	\$ 157,290	\$ 271,452
Tour de Pier	95,000	-	95,000
Other events	64,785	3,197	61,588
	<u>\$ 588,527</u>	<u>\$ 160,487</u>	<u>\$ 428,040</u>

Note 7 - Leases

In February 2022, CSCSB commenced a long-term lease for an expanded facility located in Torrance, California. The lease requires monthly payments of \$13,975 through February 2023 with 3% annual increases through April 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. Total lease expense for the year ended December 31, 2023 was \$182,088 and is included in rent expense on the statement of functional expenses.

Lease payments

Lease payments included in the measurement of the lease liability at December 31, 2023 total \$611,122 and include the fixed payments.

Lease liability

The lease liability at December 31, 2023 of \$592,500 is the present value of remaining scheduled lease payments discounted using CSCSB's discount rate of 1.78%. Future remaining scheduled lease payments during the lease terms are shown in the table below. The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on December 31, 2023, which is recorded on a present value basis, as described above.

2024	\$	177,055
2025		182,367
2026		187,838
2027		63,862
		<u>611,122</u>
Less effects of discounting		<u>(18,490)</u>
Lease liability	\$	<u>592,632</u>

Note 8 - Concentrations

Financial instruments which potentially subject CSCSB to concentrations of credit risk consist primarily of cash and cash equivalents, contributions receivable, and investments. CSCSB

Cancer Support Community South Bay

Notes to Financial Statements December 31, 2023

maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

CSCSB'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 CSCSB'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.

Note 9 - Contributed services

For the year ended December 31, 2023, CSCSB recorded \$35,552 of contributed services, which is included in the accompanying statement of activities. Contributed services consist of work carried out by professional instructors in support of CSCSB's regular business operations and are recorded as contributions at their estimated fair market value as of the date the services were provided. Fair market value is based on current market rates for similar services.

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 CSCSB. Eligible employees may make contributions to the plan up to the maximum amount allowed under the Code. CSCSB makes safe harbor contributions to the plan equal to 3% of the eligible employee's salary after one year of service. CSCSB contributed \$15,967 to the plan during the year ended December 31, 2023.



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