

CANCER SUPPORT COMMUNITY - ARIZONA

Financial Statements

Together with Independent Auditor's Report

December 31, 2018



CANCER SUPPORT COMMUNITY – ARIZONA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cancer Support Community – Arizona

We have audited the accompanying financial statements of Cancer Support Community – Arizona (the "Organization") (an Arizona non-profit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, 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.

Schmidt Westergard & Company, PLLC

Mesa, Arizona
April 4, 2019

CANCER SUPPORT COMMUNITY – ARIZONA
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	199,867
Contributions receivable		70,000
Assets held by others		297,298
Prepaid expenses and other current assets		<u>10,053</u>
Total current assets		577,218

LAND HELD FOR SALE 711,160

PROPERTY AND EQUIPMENT, NET 1,590,482

TOTAL ASSETS \$ 2,878,860

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	9,829
Accrued expenses		<u>40,148</u>
Total current liabilities		<u>49,977</u>

NET ASSETS

Without donor restrictions 2,743,394

With donor restrictions 85,489

Total net assets 2,828,883

TOTAL LIABILITIES AND NET ASSETS \$ 2,878,860

CANCER SUPPORT COMMUNITY – ARIZONA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public support			
Contributions and bequests	\$ 642,860	\$ -	\$ 642,860
Strategic partnerships	95,800	70,000	165,800
Donated materials and services	131,821	-	131,821
Grants	68,711	5,489	74,200
Investment loss, net	(11,677)	-	(11,677)
Other	4,720	-	4,720
Total public support	<u>932,235</u>	<u>75,489</u>	<u>1,007,724</u>
Special events			
Special events revenue	181,991	-	181,991
Less costs of direct donor benefit	<u>(54,990)</u>	<u>-</u>	<u>(54,990)</u>
Gross profits on special events	<u>127,001</u>	<u>-</u>	<u>127,001</u>
Total support and revenue	<u>1,059,236</u>	<u>75,489</u>	<u>1,134,725</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>123,246</u>	<u>(123,246)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,182,482</u>	<u>(47,757)</u>	<u>1,134,725</u>
EXPENSES			
Program services	914,089	-	914,089
Fundraising and development	279,496	-	279,496
Administrative	<u>114,272</u>	<u>-</u>	<u>114,272</u>
Total expenses	<u>1,307,857</u>	<u>-</u>	<u>1,307,857</u>
Change in net assets	(125,375)	(47,757)	(173,132)
NET ASSETS – Beginning of year	<u>2,868,769</u>	<u>133,246</u>	<u>3,002,015</u>
NET ASSETS – End of year	<u>\$ 2,743,394</u>	<u>\$ 85,489</u>	<u>\$ 2,828,883</u>

CANCER SUPPORT COMMUNITY – ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services	Supporting Activities			Total
		Fundraising and Development	Administrative	Total Supporting Activities	
Salaries and benefits	\$ 501,498	\$ 216,578	\$ 62,639	\$ 279,217	\$ 780,715
Office supplies	92,904	7,542	1,125	8,667	101,571
Professional fees	178,076	2,229	26,898	29,127	207,203
Event supplies	-	54,990	-	54,990	54,990
Depreciation	31,443	1,084	785	1,869	33,312
Rent and maintenance	25,266	3,158	3,158	6,316	31,582
Telephone	23,026	2,850	2,850	5,700	28,726
Transportation	20,946	2,376	1,980	4,356	25,302
Insurance	13,887	1,719	1,719	3,438	17,325
Other	1,583	28,790	118	28,908	30,491
Printing	13,743	1,276	-	1,276	15,019
Membership dues and subscriptions	1,279	1,716	10,732	12,448	13,727
Postage and shipping	3,681	4,235	103	4,338	8,019
Training and development	2,872	2,753	1,501	4,254	7,126
Data/Website	2,605	2,605	-	2,605	5,210
Meals and entertainment	1,280	585	664	1,249	2,529
Total expenses	914,089	334,486	114,272	448,758	1,362,847
Less special event expenses netted against support and revenue in the statement of activities:					
Event supplies	-	54,990	-	54,990	54,990
Total expenses by function	\$ 914,089	\$ 279,496	\$ 114,272	\$ 393,768	\$ 1,307,857

CANCER SUPPORT COMMUNITY – ARIZONA
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (173,132)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	33,312
Realized and unrealized losses on assets held by others, net	17,002
Donated stocks	(10,020)
Donated property and equipment	(15,894)
(Increase) decrease in Contributions receivable	600
Prepaid expenses and other current assets	(1,700)
Increase (decrease) in Accounts payable	(17,114)
Accrued expenses	11,061
Net used in operating activities	<u>(155,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of assets held by others	<u>9,010</u>
Net decrease in cash and cash equivalents	(146,875)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>346,742</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 199,867</u></u>

1. Description of Organization

The Cancer Support Community – Arizona (the “Organization”) is a 501(c)(3) nonprofit organization founded in 1997, whose mission is to help cancer patients and their loved ones confront the illness and fight for recovery to the greatest extent possible in partnership with their health care providers and care givers. The Organization’s programs offer educational, psychological, social and emotional support services at no cost to those who attend (the Participant). The Organization is a place where lives affected by cancer can come and find people helping and supporting one another as a community of cancer patients, family, and friends working together towards recovery. The Organization supports its programs through contributions, bequests, strategic partnerships and grants and is one of over 50 chapters affiliated through a national organization, the Cancer Support Community.

All programs are designed to help those, with cancer, fight for their recovery and, at the very least, improve the quality of their lives. The Organization provides a full range of support services for adults, teens, children, and families in a comfortable home-like setting. Serving people with all types of cancer and at any stage of the disease, the Organization provides professionally-facilitated support groups, educational workshops, exercise activities and nutritional classes, stress management sessions, lectures by experts in the field, and social activities to reduce social isolation. The programs are research based to ensure a “Gold Standard Support Program” and combines the skill of the physician with the will of the patient as follows:

Support services – The Organization facilitates participant meetings with others who are dealing with a cancer diagnosis to share similar experiences, questions, and emotions, and to provide access to onsite and online resource libraries for information about local and national resources. Participants can expect to explore new ways of dealing with the stresses of cancer and ways to become an empowered advocate for themselves. Support groups are facilitated by licensed mental health professionals.

Healthy lifestyle – These activities help the participant become more engaged in mind-body stress reduction, exercise, nutrition, and health maintenance. These groups involve active participation as the participants learn skills to manage stress, relax, tone, strengthen their body, and improve their overall health.

Education – The educational workshops and lectures help the participant understand how to manage cancer and its treatment. Experts from various disciplines provide the most updated information regarding cancer care to help the participant become more informed and active in their treatment decisions.

Social connections – These activities are to help reduce social isolation through interaction, play, and humor.

Resource and referral – These services provide support by providing personalized assistance and referral to resources within the Cancer Support Community and in the broader community as needed.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting according to accounting principles generally accepted in the United States of America (“US GAAP”). The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

CANCER SUPPORT COMMUNITY – ARIZONA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings and money market funds. The Organization considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents. The Organization believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Promises to Give

Unconditional promises to give (contributions receivable) are recognized as revenue in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, adjusted for market risk as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and bequests. Conditional promises to give are recorded when the conditions are substantially met.

Assets Held by Others

The Organization follows US GAAP for transactions in which a community fund accepts a contribution from a donor and agrees to transfer these assets, the return on investment of these assets, or both, to another entity that is specified by the donor. US GAAP also requires that if a not-for-profit organization establishes a fund at a community fund with its own funds and specifies itself as the beneficiary of that fund, it must record the fund as an asset and the community fund must account for the fund as a liability. The Organization has such funds with Arizona Community Fund, Inc. ("ACF"). The Organization may draw on these funds subject to the terms of the agreement when the funds were transferred to ACF.

The amounts held by ACF at December 31, 2018 are recorded in the accompanying statement of financial position as assets held by others. The Organization reports its investments in ACF (various marketable securities) at fair value.

These investments, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

Land Held For Sale

Land held for sale consists of 0.88 acres of undeveloped property west of the Organization's location and is stated at the lower of carrying amounts and fair value less costs to sell.

Property and Equipment

Property and equipment is recorded at cost when purchased. The Organization capitalizes assets with a basis of \$2,500 or more and an estimated useful life of one or more years. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the

donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives, which range from 3 to 39 years.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Endowments

The Organization's endowments consist of funds established under both donor-restricted endowment funds and a quasi-endowment fund designated by the board of directors for certain purposes. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At December 31, 2018, all such endowments are held by ACF.

Interpretation of Relevant Law

The State of Arizona has adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA" and the "Act"). The Audit Committee of the Organization's board of directors has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated earnings on the endowment are released net assets with donor restrictions when the related restriction has been met.

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

CANCER SUPPORT COMMUNITY – ARIZONA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Changes in endowments controlled by the Organization were as follows:

	Balance December 31, 2017	Contributions	Interest income / Net realized and unrealized losses, net	Balance December 31, 2018
Donor-restricted endowment	\$ 10,000	\$ -	\$ -	\$ 10,000
Board-restricted quasi-endowment	303,290	-	(15,992)	287,298
Total	<u>\$ 313,290</u>	<u>\$ -</u>	<u>\$ (15,992)</u>	<u>\$ 297,298</u>

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on marketable securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization adopted a policy, approved by the board of directors, to appropriate up to 5% of the endowments three-year average balance on an annual basis. Annual distributions from the endowment shall not exceed 5% of the three-year average balance without board resolution. In any given year, for assets contributed directly to the endowment by the Organization, a resolution to distribute more than 5% of the three-year average balance requires a 2/3 vote of the board of directors and their executive committee, according to the endowment policies. ACF requires a written request for distribution accompanied by a copy of the Organization's resolution. In establishing this policy, the Organization considered the long-term expected return on its endowment. The Organization's spending policy is such that the corpus of the endowment will be maintained in perpetuity.

Contributions, Bequests, Strategic Partnerships, and Grants

Contributions, bequests, strategic partnerships, and grants received are recorded as support with donor restrictions or support without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions in the statement of activities depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

Special Events Revenue

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the fair value of the benefits received by the participant at the event (an exchange transaction). Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of the meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefit in the accompanying statement of activities. Proceeds in excess of the fair value of benefits received by the participants are recorded as contributions and are included in special events revenue in the accompanying statement of activities.

CANCER SUPPORT COMMUNITY – ARIZONA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Donated Materials and Services

Donated materials and services are reflected as contributions in the accompanying statement of activities at their estimated fair values at the date of receipt if they enhance the Organization’s nonfinancial assets or require specialized skills that the Organization would normally purchase if not donated.

Donated materials and services consisted of the following for the year ended December 31, 2018:

	Direct Benefit	Program Services	Fundraising and Development	Administrative	Total
Contract services	\$ -	\$ 13,778	\$ -	\$ -	\$ 13,778
Event supplies	9,233	-	-	-	9,233
Office supplies	-	70,350	3,409	-	73,759
Training and development	-	-	-	888	888
Professional fees	-	240	400	608	1,248
Vehicle	-	16,803	-	-	16,803
Printing	-	218	-	-	218
Total In-Kind services	\$ 9,233	\$ 101,389	\$ 3,809	\$ 1,496	115,927
Donated property and equipment					15,894
Total in-kind revenue					\$ 131,821

Functional Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the accompanying statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “IRC”) and similar state provisions. However, income from certain activities not directly related to the Organization’s tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the IRC and has been classified as an organization other than a private foundation under Section 509(a)(1) of the IRC.

The Organization follows authoritative guidance related to accounting for income tax uncertainties. Under this guidance, the Organization accounts for the effect of any uncertain tax positions based on whether it is “more-likely-than-not” that the position will be sustained by the taxing authority upon examination. The Organization routinely evaluates potential uncertain tax positions. The Organization has identified its status as an exempt organization as a tax position; however, the Organization has determined that such tax position does not result in an uncertainty that requires recognition.

The Organization files informational income tax returns in the U.S. federal jurisdiction and in certain state and local jurisdictions. As of December 31, 2018, U.S. federal informational and income tax returns for years ended prior to

December 31, 2015 and state returns for years ended prior to December 31, 2014 are closed to assessment. Interest and penalties, if any, are accrued as a component of management and general expenses when assessed.

Newly Adopted Accounting Pronouncements

In August 2016, Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”) which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization adopted this pronouncement during the year ended December 31, 2018.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the prior period. Additional required disclosures of quantitative and qualitative information regarding liquidity and availability of resources are described in Note 8. The Organization’s net assets previously reported as temporarily restricted or permanently restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers (Topic 606)* (“ASU 2014-09”) and has subsequently modified the standard. ASU 2014-09 replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09 is effective for certain nonpublic entities for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the potential impact on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases in their balance sheet as liabilities, with corresponding “right of use” assets. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the potential impact on its financial statements.

3. Estimates

The preparation of the financial statements in conformity with US GAAP 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 revenues and expenses during the period. Actual results may differ from those estimates.

4. Contributions Receivable

Contributions receivable consisted of the following at December 31, 2018:

Contributions receivable due in less than one year	<u>\$ 70,000</u>
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5. Fair Value Measurements

The Organization follows US GAAP for accounting for certain assets and liabilities that are required to be measured at fair value. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an “exit price”) on the measurement date in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants (with no compulsion to buy or sell). This guidance also establishes a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. The hierarchy below lists the three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets held by others are made up of various marketable securities based on quoted market prices. Investment income is recorded on an accrual basis, and purchases and sales of marketable securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for marketable securities sold.

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

CANCER SUPPORT COMMUNITY – ARIZONA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets that are measured at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets held by others	<u>\$ -</u>	<u>\$ 297,298</u>	<u>\$ -</u>	<u>\$ 297,298</u>

6. Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Land	\$ 963,853
Building and improvements	876,583
Furniture and equipment	227,836
Vehicles	8,894
Software	<u>5,850</u>
Total property and equipment	2,083,016
Less - Accumulated depreciation	<u>(492,534)</u>
Property and equipment, net	<u>\$ 1,590,482</u>

Depreciation expense totaled approximately \$33,000 for the year ended December 31, 2018.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018:

	<u>December 31, 2017</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31, 2018</u>
Subject to the passage of time and expenditure	\$ 67,066	\$ 70,000	\$ (67,066)	\$ 70,000
Subject to expenditure for specified purposes:				
Education	5,000	-	(5,000)	-
Youth and family	43,180	-	(43,180)	-
Latino	8,000	-	(8,000)	-
Nutrition	-	5,489	-	5,489
Not subject to expenditure - Donor-restricted	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 133,246</u>	<u>\$ 75,489</u>	<u>\$ (123,246)</u>	<u>\$ 85,489</u>

8. Financial Assets Available for General Use

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of donor-imposed restrictions. Amounts not available include net assets with donor-imposed restrictions, time and purpose restrictions, and amounts set aside as a quasi-endowment fund that could be drawn upon if the governing board approves that action.

Financial assets:	
Cash and cash equivalents	\$ 199,867
Contributions receivable	70,000
Assets held by others	<u>297,298</u>
Total financial assets, December 31, 2018	567,165
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions, time and purpose restrictions	(5,489)
Donor-restricted endowment	(10,000)
Board restricted quasi-endowment	<u>(287,298)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 264,378</u></u>

The Organization is supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity, management follows a policy to maintain and utilize the Organization's financial assets in such a way that the financial assets are available as the Organization's general expenditures, liabilities, and other obligations come due. Additionally, there is a quasi-endowment established by the board of directors that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

During the year ended December 31, 2018, the board of directors also began the process of liquidating the property classified as land held for sale in the accompanying statement of financial position. Subsequent to year end, the Organization entered into a letter of intent to sell this property for approximately \$980,000, less selling costs of approximately \$20,000, resulting in an estimated gain of approximately \$249,000 over the value shown in the accompanying statement of financial position. The sale is expected to close by the end of June 2019. The Organization intends to leverage this cash and continue to invest in the growth and expansion of mission and serve more patients in the remote areas of Arizona. While the cash proceeds from this transaction provides a strong foundation from which the Organization can grow with confidence, engagement and support of the community will be critical for the Organization's long-term success.

9. Employee Benefit Plans

The Organization sponsors a 401(k) plan (the "Plan") with a provision which covers substantially all employees after specified periods of service and certain eligibility requirements have been met.

The Organization matches contributions made by employees to the Plan up to 3 percent of their annual salary for total matching contributions of approximately \$12,000 during the year ended December 31, 2018.

10. Commitments and Contingencies

Operating Leases

The Organization leases office equipment under noncancelable operating leases requiring monthly payments totaling approximately \$500 and expiring through December 2019. Rental expense for the year ended December 31, 2018, including printing charges, totaled approximately \$9,000.

Purchase Obligation

The Organization entered into an unconditional purchase obligation for professional services for online software. The agreement is enforceable, legally binding, and specifies all significant terms, including fixed variable price provisions; and the approximate timing of the transaction. The Organization made approximately \$73,000 in purchases under such agreements during the year ended December 31, 2018.

Future minimum payments related to this unconditional purchase obligation at December 31, 2018 are as follows:

Year Ending <u>December 31</u>	
2019	\$ 67,800
2020	<u>50,850</u>
Total minimum future payments	<u>\$ 118,650</u>

11. Concentrations

Credit Risk

The Organization maintains its cash in bank deposit accounts and money market accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash balances. At December 31, 2018, the Organization had uninsured cash balances of approximately \$26,000.

12. Subsequent Event

Management evaluated subsequent events through April 4, 2019, the date the financial statements were available to be issued.

Subsequent to December 31, 2018, the Organization entered into a letter of intent to sell the property classified as land held for sale for approximately \$980,000, as described in Note 8.