DASZKALBOLTON
accountants & advisors

# Israel Cancer Association (USA) Corp.

## Financial Statements

June 30, 2019

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## Independent Auditors' Report

To the Board of Trustees
Israel Cancer Association (USA) Corp.
West Palm Beach, Florida

We have audited the accompanying financial statements of Israel Cancer Association (USA) Corp. (a nonprofit organization), which comprise the statement of financial position at June 30, 2019, 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.

### *Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

*Continued from previous page*

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Israel Cancer Association (USA) Corp. at June 30, 2019, 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.

Daszkal Bolton LLP

Boca Raton, Florida
October 24, 2019

# Israel Cancer Association (USA) Corp.
# Statement of Financial Position
# June 30, 2019

## Assets

| | | |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ | 157,442 |
| Contributions receivable | | 10,780 |
| Investments | | 222,609 |
| Prepaid expenses | | 11,661 |
| Property and equipment, net | | 3,405 |
| Total assets | $ | 405,897 |

## Liabilities and Net Assets

| | | |
|---|---|---|
| Liabilities: | | |
| Accounts payable | $ | 570 |
| Total liabilities | | 570 |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions | | 141,696 |
| With donor restrictions | | 263,631 |
| Total net assets | | 405,327 |
| Total liabilities and net assets | $ | 405,897 |

See accompanying notes to financial statements.

## Israel Cancer Association (USA) Corp.
## Statement of Activities
## Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Support and revenues: | | | |
| Contributions | $ 188,159 | $ - | $ 188,159 |
| Special projects | - | 250,000 | 250,000 |
| Fellowships | - | 99,000 | 99,000 |
| Special events and fundraising programs | 202,182 | - | 202,182 |
| Investment income, net | 1,255 | 20,665 | 21,920 |
| Subsidy from Israel | 96,000 | - | 96,000 |
| Net assets released from restrictions | 403,711 | (403,711) | - |
| Total support and revenues | 891,307 | (34,046) | 857,261 |
| Expenses: | | | |
| Program services: | | | |
| Special events | 99,860 | - | 99,860 |
| Membership expenses | 49,512 | - | 49,512 |
| ICAUSA-Israel programs and distributions | 908,082 | - | 908,082 |
| Total program services | 1,057,454 | - | 1,057,454 |
| Management and general | 24,375 | - | 24,375 |
| Fundraising | 20,194 | - | 20,194 |
| Total expenses | 1,102,023 | - | 1,102,023 |
| Net change in net assets | (210,716) | (34,046) | (244,762) |
| Net assets, July 1, 2018 | 343,512 | 306,577 | 650,089 |
| Reclassification upon adoption of FASB ASU No. 2016-14 | 8,900 | (8,900) | - |
| Net assets, June 30, 2019 | $ 141,696 | $ 263,631 | $ 405,327 |

See accompanying notes to financial statements.

# Israel Cancer Association (USA) Corp.
## Statement of Functional Expenses
## Year Ended June 30, 2019

| | Program Services | Supporting Services: Management and General | Supporting Services: Fundraising | Supporting Services: Total Support Services | Total |
|---|---|---|---|---|---|
| Functional classification of expenses: | | | | | |
| Public relations | $ 49,016 | $ - | $ 496 | $ 496 | $ 49,512 |
| Salaries and benefits | 64,765 | 5,047 | 14,299 | 19,346 | 84,111 |
| Printing and postage | 1,002 | 171 | 49 | 220 | 1,222 |
| General and administrative | 17,804 | 18,549 | 357 | 18,906 | 36,710 |
| Contractual obligation - Israel | 830,000 | - | - | - | 830,000 |
| Contract services | 94,867 | - | 4,993 | 4,993 | 99,860 |
| Depreciation | - | 608 | - | 608 | 608 |
| | $ 1,057,454 | $ 24,375 | $ 20,194 | $ 44,569 | $ 1,102,023 |

See accompanying notes to financial statements.

## Israel Cancer Association (USA) Corp.
## Statement of Cash Flows
## Year Ended June 30, 2019

| | |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $ (244,762) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation | 608 |
| Unrealized gains on investments | (8,621) |
| Changes in operating assets and liabilities: | |
| Contributions receivable | 15,922 |
| Prepaid expenses | (9,370) |
| Accounts payable | 570 |
| Net cash used in operating activities | (245,653) |
| Cash flows from investing activities: | |
| Proceeds from sale of investments | 545,940 |
| Purchases of investments | (284,655) |
| Purchases of property and equipment | (3,631) |
| Net cash provided by investing activities | 257,654 |
| Cash flows from financing activities | - |
| Net increase in cash and cash equivalents | 12,001 |
| Cash and cash equivalents: | |
| July 1, 2018 | 145,441 |
| June 30, 2019 | $ 157,442 |

See accompanying notes to financial statements.

## Note 1 – Organization and Description of Business

Israel Cancer Association (USA) Corp., ("ICAUSA" or the "Organization") was incorporated in the State of New York on January 19, 1967, as a non-profit organization. The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Organization is to collect, receive, and maintain funds for charitable, scientific, and educational purposes, specifically to provide education and advance cancer research in the United States and Israel. The ICAUSA located in West Palm Beach, Florida, is the United States National Headquarters of Israel Cancer Association, located in Givatayim, Israel.

## Note 2 – Summary of Significant Accounting Policies

### *Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

> **Net Assets without Donor Restrictions** – Available for use in general operations and are not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
>
> **Net Assets with Donor Restrictions** – Some restrictions are temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated time has elapsed, the stipulated purpose has been fulfilled, or both. Contributions of long-lived assets and of cash restricted for the acquisition of long-lived assets are released when the assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for their restricted purpose.

### *Management 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 judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Actual results may differ from those estimates.

### *Contributions Receivable*

The receipt by the Organization of unconditional promises to give with amounts due in future periods is reported as donor restricted support, unless explicit donor or grantor stipulations or circumstances surrounding the receipt of the promise make clear that the donor or grantor intended it to be used to support activities of the current period.

Unconditional promises to give are reported at the discounted present value of estimated future cash flows, using a discount rate that approximates the rate of government securities, and are deemed fully collectible. Amortization of the discount is recorded as additional contribution revenue.

## Note 2 – Summary of Significant Accounting Policies, continued

*Cash and Cash Equivalents*

Cash and cash equivalents include all monies in banks and money market funds. Cash equivalents include highly liquid securities with original maturities when acquired of ninety days or less.

*Gift Annuity Remainder Trust*

The Organization is a beneficiary of a gift annuity remainder trust. Related amounts are recorded either when a will is declared valid by a probate court, or when the Organization is notified as a beneficiary of a trust and the proceeds are measurable. The beneficial interest in the remainder trusts will be recorded at net present value, using risk-free interest rates applicable to the years in which the benefit is to be received.

*Special Events*

The Organization recognizes special event revenue and expense in the year the event occurs.

*Valuation of Investments at Fair Value*

The Organization measures its financial assets at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The Organization follows a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1:* Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3:* Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

*Compensated Absences*

Employees of the Organization are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. The value of accrued compensated absences was $0 at June 30, 2019.

## Note 2 – Summary of Significant Accounting Policies, continued

### *Property and Depreciation*

Property and equipment are stated at cost if purchased or fair value if contributed. Depreciation is provided over the estimated useful lives from three to ten years on the respective assets on a straight-line basis.

### *Fair Value of Financial instruments*

The carrying amount of the Organization's financial instruments, which include cash and cash equivalents, contributions receivable, accounts payable, accrued expenses, and other assets and liabilities, approximate their fair values due to their short-term maturities. The carrying amount of long-term investments are initially recorded at acquisition cost and adjusted to quoted market prices. See Note 5.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, wages and related expenses have been allocated based on the function of the staff across the departments, and all other supporting expenses (consisting of facility maintenance, insurance, supplies, utilities, and other expenses) have been allocated based on the amounts used by each program and supporting service.

### *Income Taxes*

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. Accordingly there is no provision for income taxes.

The Organization records a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Organization continually evaluates expiring statues of limitations, changes in tax law and new authoritative rulings.

### *New Accounting Pronouncements*

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The update provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue standard (ASU No. 2014-09, *Revenue from Contracts with Customers*), and aims to minimize diversity in the classification of grants and contracts that exists under current guidance. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Organization does not expect the adoption of ASU No. 2018-08 to have a material effect on the financial statements and disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the classification of restricted cash in the Statement of Cash Flows. ASU No. 2016-18 is effective for fiscal years beginning January 1, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of ASU No. 2016-18 on its financial statements and disclosures.

## Note 2 – Summary of Significant Accounting Policies, continued

*New Accounting Pronouncements, continued*

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the Statement of Financial Position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the adoption of ASU No. 2016-02 on its financial statements and disclosures.

*Accounting Pronouncements Adopted*

The Organization has adopted the financial statement presentation and disclosure standards contained in FASB ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied for the year ended June 30, 2019, resulting in an $8,900 reclassification from beginning Net Assets with Donor Restrictions to Net Assets without Donor Restrictions.

*Date of Management's Review*

Subsequent events were evaluated through October 24, 2019, which is the date the financial statements were available to be issued.

## Note 3 – Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, maintained at several interest bearing and non-interest bearing bank accounts which, at time, may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Accounts held at brokerage firms are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000. At June 30, 2019, the Organization had no funds in excess of FDIC or SIPC insured limits.

## Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30, 2019:

| | | |
|---|---|---|
| Computer equipment | $ | 27,471 |
| Furniture and fixtures | | 4,236 |
| | | 31,707 |
| Less: accumulated depreciation | | (28,302) |
| Property and equipment, net | $ | 3,405 |

The Organization's depreciation expense for the year ended June 30, 2019 was $608.

## Note 5 – Long-Term Investments

The investments held by the Organization at June 30, 2019 are summarized as follows:

| | Fair Value Measurement | | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Mutual funds | $ 222,609 | $ 222,609 | $ - | $ - |
| | $ 222,609 | $ 222,609 | $ - | $ - |

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2019 as follows:

| | |
|---|---|
| Interest and dividend income | $ 13,299 |
| Net realized and unrealized gains on investments | 8,621 |
| Investment income, net | $ 21,920 |

## Note 6 – Contributions Receivable

Contributions receivable at June 30, 2019 are as follows:

| | |
|---|---|
| Donor restricted for fellowships | $ 11,000 |
| | 11,000 |
| Present value discount at annualized rate of 2% | (220) |
| Net value of contributions receivable | 10,780 |
| Allowance for uncollected commitments | - |
| | $ 10,780 |

These amounts are due as follows:

| Year Ending June 30, | |
|---|---|
| 2020 | $ 10,780 |
| | $ 10,780 |

## Note 7 – Commitments and Contingencies

### *Leases*

Effective August 21, 2017, the Organization amended its existing office lease agreement with a third party to relocate its office suites and decrease its monthly payments from $770 to $623. The amended lease term is on a month-to-month basis. Rent expense for the year ended June 30, 2019 was approximately $7,200.

## Note 8 – Net Assets with Donor Restrictions

In September of 2008, the Organization was the recipient of a $500,000 donation, of which $50,000 was an unrestricted donation and $450,000 was restricted by the donor for future cancer research. In accordance with the agreement, the Organization releases an amount annually equal to 7% of the value of the average fund balance from net assets with donor restrictions. During the year ended June 30, 2019, the Organization released $19,092 from restricted net assets to net assets without donor restrictions. The Donor restricted fund balance was $252,851 at June 30, 2019.

Net assets with donor restrictions at June 30, 2019 are restricted for the following purposes:

| | | |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Contributions receivable - restricted for fellowships | $ | 10,780 |
| Total subject to expenditure for specified purpose | | 10,780 |
| | | |
| Subject to the passage of time: | | |
| Investments - donor restricted endowment | | 222,609 |
| Cash and cash equivalents - donor restricted endowment | | 30,242 |
| Total subject to the passage of time | | 252,851 |
| | | |
| Total net assets with donor restrictions | $ | 263,631 |

## Note 9 – Endowment

The Organization's endowment consists of donated funds established to provide funding for cancer research conducted by Israeli cancer researchers approved by and under the auspices of ICAUSA. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Interpretation of Relevant Law*

In June 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") which is effective July 1, 2012. The Organization has interpreted FUPMIFA 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 with donor restrictions (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. The remaining portion of the donor-restricted endowment fund is classified as with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

## Note 9 – Endowment, continued

*Interpretation of Relevant Law, continued*

The Organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment fund earnings:

1) The duration and preservation of the fund
2) The purposes of the Organization and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Organization
7) The investment policies of the Organization

The Organization has elected to not add appreciation for cost of living or other spending policies to net assets with donor restrictions held in perpetuity.

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a competitive rate of return while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return in excess of the original with donor restriction principal. Actual returns in any given year may vary.

*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 emphasis on investments in mutual funds to achieve its long-term return objectives within prudent risk constraints.

## Note 10 – Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, occurrence of the passage of time or other events specified by the donors as follows:

| | | |
|---|---|---|
| Expiration of time and purpose restrictions: | | |
| Expiration of time restrictions | $ | 19,092 |
| Satisfaction of purpose restrictions | | 384,619 |
| Total net assets released from restrictions | $ | 403,711 |

## Note 11 – Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2019 are composed of the following:

| | | |
|---|---|---|
| Financial assets at June 30, 2019: | | |
| Cash and cash equivalents | $ | 157,442 |
| Contributions receivable | | 10,780 |
| Investments | | 222,609 |
| Total financial assets | | 390,831 |
| Less financial assets not available for general expenditure within one year due to: | | |
| Restricted by donors with purpose restrictions | $ | (10,780) |
| Restricted by donors with time restrictions | | (252,851) |
| Total financial assets unavailable for general expenditure | | (263,631) |
| Total financial assets available for general expenditure within one year | $ | 127,200 |

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments.

## Note 12 – Pass-Through Donations

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT ACT"), the Organization does not distribute funds to Israel until notification has been received from the donor as to the purpose and receipt of the donation to be transferred.

During the year ended June 30, 2019, ICAUSA received and accepted donations on behalf of Israel Cancer Association - Israel in the amount of $250,000. These donations were distributed to Israel Cancer Association - Israel in the periods received.