

ISRAEL CANCER RESEARCH FUND, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

AND

INDEPENDENT AUDITORS' REPORT

CONTENTS

December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the International Board of Trustees of
Israel Cancer Research Fund, Inc.

We have audited the accompanying statements of financial position of Israel Cancer Research Fund, Inc. (a nonprofit organization), which comprise the financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Israel Cancer Research Fund, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rosen Seymour Shapss Martin & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
November 12, 2013

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
<u>Assets</u>		
Current assets:		
Cash and cash equivalents:		
Bank deposits	\$ 2,298,637	\$ 1,513,322
Money market, unrestricted	3,593,491	2,516,510
Money market, temporarily restricted	1,144,813	1,386,304
Total cash and cash equivalents	7,036,941	5,416,136
Marketable securities	103,731	87,049
Unconditional promises to give, current portion, less allowances of \$21,820 and \$0 for 2012 and 2011, respectively	1,551,336	1,356,492
Prepaid expenses and other current assets	62,256	46,411
Total current assets	8,754,264	6,906,088
Equipment and improvements, net	53,869	55,998
Other assets:		
Money market, permanently restricted	36,514	678,836
U.S. treasury bonds, temporarily restricted	601,854	-
U.S. treasury bonds, permanently restricted	1,426,329	752,498
Unconditional promises to give, net of current portion	624,428	1,158,207
Park naming rights	250,000	250,000
Deposits	19,342	19,342
Total assets	<u>\$ 11,766,600</u>	<u>\$ 9,820,969</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 261,254	\$ 156,812
Research grants payable	1,120,000	666,250
Gift annuities payable, current portion	26,939	25,546
Total current liabilities	1,408,193	848,608
Other liabilities:		
Deferred rent payable	36,143	35,399
Gift annuities payable, net of current portion	56,615	83,554
Total liabilities	1,500,951	967,561
Commitments and contingency		
Net assets:		
Unrestricted	5,946,707	4,507,875
Temporarily restricted	2,890,105	2,916,696
Permanently restricted	1,428,837	1,428,837
Total net assets	10,265,649	8,853,408
Total liabilities and net assets	<u>\$ 11,766,600</u>	<u>\$ 9,820,969</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2012 and 2011

	2012				2011			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Revenues and public support:								
Contributions, legacies and bequests	\$ 2,511,227	\$ 865,385	\$ -	\$ 3,376,612	\$ 1,501,936	\$ 1,142,413	\$ -	\$ 2,644,349
Investment income, net	2,916	54,756	-	57,672	480	3,491	-	3,971
Special event income	1,632,954	-	-	1,632,954	1,863,800	-	-	1,863,800
Less cost of direct benefit to donors	(156,634)	-	-	(156,634)	(274,381)	-	-	(274,381)
Donated services	681,909	-	-	681,909	527,486	-	-	527,486
Net assets released from restrictions	946,732	(946,732)	-	-	768,500	(768,500)	-	-
Total revenues and public support	5,619,104	(26,591)	-	5,592,513	4,387,821	377,404	-	4,765,225
Expenses:								
Program services:								
Research	1,996,060	-	-	1,996,060	1,522,801	-	-	1,522,801
Public information	75,321	-	-	75,321	68,195	-	-	68,195
Total program services	2,071,381	-	-	2,071,381	1,590,996	-	-	1,590,996
Supporting services:								
Management and general	840,958	-	-	840,958	1,067,771	-	-	1,067,771
Fund-raising	1,267,933	-	-	1,267,933	1,032,246	-	-	1,032,246
Total supporting services	2,108,891	-	-	2,108,891	2,100,017	-	-	2,100,017
Total expenses	4,180,272	-	-	4,180,272	3,691,013	-	-	3,691,013
Increase (decrease) in net assets	1,438,832	(26,591)	-	1,412,241	696,808	377,404	-	1,074,212
Net assets at beginning of year	4,507,875	2,916,696	1,428,837	8,853,408	3,811,067	2,539,292	1,428,837	7,779,196
Net assets at end of year	\$ 5,946,707	\$ 2,890,105	\$ 1,428,837	\$ 10,265,649	\$ 4,507,875	\$ 2,916,696	\$ 1,428,837	\$ 8,853,408

The accompanying notes are an integral part of these financial statements.

ISRAEL CANCER RESEARCH FUND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services			Supporting Services					Total
	Research	Public Information		Management and General	Fund Raising	Direct Benefit to Donors		Total	
Compensation and related expenses:									
Salaries and wages	\$ 106,831	\$ 36,618	\$ 143,449	\$ 178,626	\$ 420,228	\$ -	\$ 598,854	\$ 742,303	
Payroll taxes	8,517	3,142	11,659	14,304	33,460	-	47,764	59,423	
Employee benefits	25,662	4,666	30,328	29,223	63,860	-	93,083	123,411	
Total compensation and related expenses	141,010	44,426	185,436	222,153	517,548	-	739,701	925,137	
Research grants:									
Grants awarded	1,440,000	-	1,440,000	-	-	-	-	1,440,000	
Occupancy:									
Rent	22,585	9,333	31,918	44,266	46,662	-	90,928	122,846	
Utilities	2,009	830	2,839	1,312	4,151	-	5,463	8,302	
Property and casualty insurance	-	-	-	15,107	-	-	15,107	15,107	
Repairs and maintenance	1,476	610	2,086	3,034	3,051	-	6,085	8,171	
Telephone	2,313	925	3,238	5,430	5,292	-	10,722	13,960	
Event facility rental	13,045	-	13,045	-	24,424	-	24,424	37,469	
Professional fees:									
Accounting and legal	-	-	-	55,519	12,106	-	67,625	67,625	
Consulting and computer support	-	-	-	3,900	70,000	-	73,900	73,900	
Outside services	-	-	-	10,829	73,039	-	83,868	83,868	
Administration:									
Mailing, printing, and postage	6,502	-	6,502	14,060	201,128	-	215,188	221,690	
Office and miscellaneous	2,810	555	3,365	13,845	23,334	-	37,179	40,544	
Equipment rental	1,806	746	2,552	5,543	25,658	-	31,201	33,753	
Bank charges	-	318	318	11,899	15,830	-	27,729	28,047	
Meals and entertainment	50,755	7,423	58,178	3,754	59,523	156,634	219,911	278,089	
Travel	35,391	801	36,192	17,790	45,498	-	63,288	99,480	
Conferences and meetings	-	-	-	1,040	3,902	-	4,942	4,942	
Advertising and public relations	7,500	7,500	15,000	2,695	30,925	-	33,620	48,620	
Website maintenance	2,463	-	2,463	18,012	8,456	-	26,468	28,931	
Amortization of gift annuity	-	-	-	5,888	-	-	5,888	5,888	
Bad debts	-	-	-	133	48,137	-	48,270	48,270	
Total expenses before depreciation and donated services	1,729,665	73,467	1,803,132	456,209	1,218,664	156,634	1,831,507	3,634,639	
Depreciation	4,486	1,854	6,340	4,749	9,269	-	14,018	20,358	
Donated services	261,909	-	261,909	380,000	40,000	-	420,000	681,909	
Total expenses	1,996,060	75,321	2,071,381	840,958	1,267,933	156,634	2,265,525	4,336,906	
Less expenses included with revenues on the statement of activities	-	-	-	-	-	(156,634)	(156,634)	(156,634)	
Total expenses included in the expense section of the statement of activities	\$ 1,996,060	\$ 75,321	\$ 2,071,381	\$ 840,958	\$ 1,267,933	\$ -	\$ 2,108,891	\$ 4,180,272	

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	Program Services			Supporting Services				
	Research	Public Information		Management and General	Fund Raising		Direct Benefit to Donors	Total
		Information	Total		Raising	Donors		Total
Compensation and related expenses:								
Salaries and wages	\$ 95,407	\$ 27,695	\$ 123,102	\$ 272,075	\$ 226,808	\$ -	\$ 498,883	\$ 621,985
Payroll taxes	7,848	2,354	10,202	21,094	18,260	-	39,354	49,556
Employee benefits	24,634	4,061	28,695	38,886	40,942	-	79,828	108,523
Total compensation and related expenses	127,889	34,110	161,999	332,055	286,010		618,065	780,064
Research grants:								
Grants awarded	1,095,000	-	1,095,000	-	-	-	-	1,095,000
Occupancy:								
Rent	21,800	6,358	28,158	44,565	45,417	-	89,982	118,140
Utilities	2,010	586	2,596	1,592	4,188	-	5,780	8,376
Property and casualty insurance	102	-	102	15,401	-	-	15,401	15,503
Repairs and maintenance	1,449	423	1,872	1,207	3,019	-	4,226	6,098
Telephone	2,646	742	3,388	7,091	5,558	-	12,649	16,037
Event facility rental	31,347	55	31,402	-	108,181	-	108,181	139,583
Professional fees:								
Accounting and legal	-	-	-	48,625	9,386	-	58,011	58,011
Consulting and computer support	-	-	-	22,020	93,341	-	115,361	115,361
Outside services	-	-	-	60,708	13,187	-	73,895	73,895
Administration:								
Mailing, printing and postage	5,913	769	6,682	15,168	243,568	-	258,736	265,418
Office and miscellaneous	2,927	683	3,610	33,223	34,490	-	67,713	71,323
Equipment rental	1,842	537	2,379	6,767	11,437	-	18,204	20,583
Bank charges	76	62	138	11,705	16,686	-	28,391	28,529
Meals and entertainment	34,495	14,581	49,076	2,772	93,710	274,381	370,863	419,939
Travel	21,292	1,100	22,392	21,984	12,986		34,970	57,362
Conferences and meetings	-	-	-	1,596	4,018	-	5,614	5,614
Advertising and public relations	7,500	7,500	15,000	7,369	36,445	-	43,814	58,814
Website maintenance	565	-	565	187	3,100	-	3,287	3,852
Amortization of gift annuity	-	-	-	7,207	-	-	7,207	7,207
Bad debts	-	-	-	59,215	2,599	-	61,814	61,814
Total expenses before depreciation and donated services	1,356,853	67,506	1,424,359	700,457	1,027,326	274,381	2,002,164	3,426,523
Depreciation	2,362	689	3,051	3,414	4,920	-	8,334	11,385
Donated services	163,586	-	163,586	363,900	-	-	363,900	527,486
Total expenses	1,522,801	68,195	1,590,996	1,067,771	1,032,246	274,381	2,374,398	3,965,394
Less expenses included with revenues on the statement of activities	-	-	-	-	-	(274,381)	(274,381)	(274,381)
Total expenses included in the expense section of the statement of activities	\$ 1,522,801	\$ 68,195	\$ 1,590,996	\$ 1,067,771	\$ 1,032,246	\$ -	\$ 2,100,017	\$ 3,691,013

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,412,241	\$ 1,074,212
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	20,358	11,385
Donated marketable securities	(260,279)	(217,680)
Deferred rent expense	744	2,857
Net realized and unrealized loss (gain) on investments	(755)	634
Changes in assets and liabilities:		
(Increase) decrease in:		
Unconditional promises to give	338,935	(804,932)
Prepaid expenses and other current assets	(15,846)	5,589
Increase (decrease) in:		
Accounts payable and accrued expenses	104,442	48,363
Research grants payable	453,750	193,750
Gift annuities payable	<u>(25,546)</u>	<u>(24,228)</u>
Net cash provided by operating activities	<u>2,028,044</u>	<u>289,950</u>
Cash flows from investing activities:		
Net purchases, sales and redemption of marketable securities	(389,011)	195,855
Purchase of equipment and improvements	<u>(18,228)</u>	<u>(26,042)</u>
Net cash (used in) provided by investing activities	<u>(407,239)</u>	<u>169,813</u>
Net increase in cash and cash equivalents	1,620,805	459,763
Cash and cash equivalents:		
Beginning of year	<u>5,416,136</u>	<u>4,956,373</u>
End of year	<u>\$ 7,036,941</u>	<u>\$ 5,416,136</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. Summary of Significant Accounting Policies

Nature of Activities

Israel Cancer Research Fund, Inc. (the "Organization") was created as a nonprofit corporation in August 1975 to support cancer research in Israel. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is supported primarily through donor contributions, and maintains chapters and offices in New York, California, and Illinois. The Organization has affiliates in Toronto, Montreal and Jerusalem.

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

The temporarily and permanently restricted cash represents funds received from donors restricted for research grants.

Marketable Securities and U.S. Treasury Bonds

The Organization carries investments in marketable securities and U.S. Treasury Bonds with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. The Organization intends to hold investments in U.S. Treasury Bonds to maturity. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. See Note 3 for a discussion of fair value measurements.

Investment Pools

The Organization maintains master investment accounts for its donor-restricted endowments. Income from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

Deferred Rent Payable

Deferred rent payable represents the excess of recognized rental expense over scheduled operating lease facility payments. This amount will be credited to future operations.

Net Assets Released From Restrictions

Support and other revenues restricted by donors are recorded initially as increases in temporarily restricted net assets in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Equipment and Improvements and Depreciation

All acquisitions of equipment and improvements, above a certain amount are capitalized. Expenditures and betterments for repairs and maintenance that materially prolong the useful lives of assets are also capitalized. Equipment and improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed primarily using the straight-line method. Leasehold improvements are depreciated over the lower of the asset's life or the term of the lease for office space. When equipment and improvements are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in the Organization's activities.

Donated Assets

Donated marketable securities, including bonds and other noncash donations are recorded as contributions at their fair values at the date of donation.

Promises to Give

"Promises to Give" includes bequests that the Organization has been informed of, that it is a beneficiary from the estates of donors of blessed memory. In the case of bequests, the Organization records the best estimate of the anticipated bequest based on information available.

Unconditional promises to give are recognized as revenues (or gains) in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions are met and the promises become unconditional (see Note 2).

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions without specific donor designation are recognized as unrestricted contributions.

The Organization has received gifts to establish endowments. The principal portion of permanent endowments is held in perpetuity and recorded as permanently restricted net assets. The principal portion of endowments that allow for the use of principal under

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

certain conditions is recorded as temporarily restricted net assets. The income and net appreciation on endowments is recorded as unrestricted, temporarily restricted, or permanently restricted, as specified by the donors. Accrued interest on U.S. treasury bonds is included as permanently and temporarily restricted other assets until the cash is received.

Donated Services

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, and various committee assignments. In accordance with GAAP, the Organization recognizes contributions of services only if the services received (a) create or enhance nonfinancial 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. Donated professional services as part of a program, fundraising activity, or general and administrative expense are recorded as in-kind contributions in the accompanying financial statements at their fair value on date of use or receipt to the extent that such amounts can be reasonably estimated.

The value of such services was computed for the hourly rates of scientists that are on the Scientific Review Panel for the awarding of research grants (Note 9), lawyers of Latham & Watkins, LLP that performed pro-bono work for matters regarding unpaid promises to give, and Sentrix Health Communications for design services related to marketing materials and brochures. For the year ended December 31, 2012, the Organization received \$261,909 and

\$420,000, in program research services and in supporting management and general services, respectively. For the year ended December 31, 2011, the Organization received \$163,586 and \$363,900, in program research services and in supporting management and general services, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Organization's most recent determination letter from the Internal Revenue Service is dated February 1976. This status was confirmed by the Internal Revenue Service on December 7, 2006.

GAAP clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

The Organization's information returns for 2009 through 2011 are subject to federal, state and local tax examinations by tax authorities.

2. Promises to Give**Unconditional Promises to Give**

Ten of the Organization's "Unconditional Promises to Give" are multi-year pledges. Six of them are considered to be temporarily restricted. In accordance with GAAP, these pledges are recorded on the pledge date as contributions based on the present value of the gift on that date.

Unconditional promises to give at December 31, 2012 and 2011, are as follows:

	2012	2011
Bequests:		
Unrestricted	\$ 1,121,000	\$ 650,501
Restricted for research grants	-	25,000
Pledges and other promises:		
Unrestricted	221,250	466,250
Restricted for research grants	1,001,500	1,702,000
Accounts receivable	100,486	165,909
	<u>\$ 2,444,236</u>	<u>\$ 3,009,660</u>
Receivable in less than one year	\$ 1,619,236	\$ 1,426,160
Receivable in one to five years	575,000	1,283,500
Receivable in more than five years	250,000	300,000
	<u>2,444,236</u>	<u>3,009,660</u>
Total unconditional promises to give	2,444,236	3,009,660
Less discounts to net present value	(246,652)	(494,961)
Less allowance for uncollectible promises receivable	(21,820)	-
	<u>(268,472)</u>	<u>(494,961)</u>
Net unconditional promises to give at December 31, 2012 and 2011	<u>\$ 2,175,764</u>	<u>\$ 2,514,699</u>

Unconditional promises to give due in more than one year are reflected at the net present value of estimated future cash flows using

discount rates of 3.49% to 11.62% depending upon the date pledged.

In 2003 and 2004, respectively, a foundation entered into an unconditional professorship pledge agreement and a conditional fellowship pledge agreement with the Organization. In June 2012, an agreement was executed by the Organization and the foundation. Consideration was given to both pledge agreements made in the past, and the foundation agreed to satisfy all unpaid and future obligations by making an unconditional lump-sum payment to the Organization in the amount of \$550,000, which was received by the Organization in July 2012. The foundation also agreed to another unconditional pledge to fund a "New Professorship Grant" in the total sum of \$350,000, commencing in 2017. Under the new pledge, the foundation is to give \$50,000 per year, for a term of seven years, through 2023. Contribution income for the New Professorship Grant pledge is recognized in the year ended December 31, 2012.

Conditional Promises to Give

During the year ended December 31, 2011, the Organization received a \$25,000 contribution paid in full, contingent on the Organization establishing the Laureate Circle in New York, a premier group to recognize supporters. As of December 31, 2011, this amount is included in accounts payable and accrued expenses.

During the year ended December 31, 2012 the Organization established the Laureate Circle in New York and the amount was recognized as a contribution.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

3. Investments

The Organization accounts for its investments at fair value. GAAP has established a framework for measuring fair value that is based on a hierarchy which prioritizes the inputs to valuation techniques according to the degree of objectivity necessary. The fair value hierarchy of the inputs to valuation techniques used to measure fair value is divided into three broad levels of objectivity:

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

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or 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;
- 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 input 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.

the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods 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 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 tables present the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic equities	\$ 15,345	\$ -	\$ -	\$ 15,345
Fixed income securities:				
U.S. government bonds	2,028,183	-	-	2,028,183
Israel government bonds	88,386	-	-	88,386
	<u>\$2,131,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,131,914</u>
	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic equities	\$ 11,303	\$ -	\$ -	\$ 11,303
Fixed income securities:				
U.S. government bonds	752,498	-	-	752,498
Israel government bonds	75,746	-	-	75,746
	<u>\$ 839,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839,547</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

Level 1 Gains and Losses

Investment return for the years ended December 31, 2012 and 2011 and its classification in the statements of activities is summarized as follows:

	<u>2012</u>	<u>2011</u>
Investment income:		
Interest and dividends	\$ 55,510	\$ 1,086
Net realized and unrealized gains/(losses) on investments:		
Realized and unrealized gains/(losses)	<u>755</u>	<u>(634)</u>
	<u>\$ 56,265</u>	<u>\$ 452</u>

4. Equipment and Improvements

As of December 31, 2012 and 2011, equipment and improvements consist of the following:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 4,883	\$ 4,883
Equipment	109,576	94,885
Furniture and fixtures	<u>22,320</u>	<u>22,482</u>
	136,779	122,250
Accumulated depreciation	<u>82,910</u>	<u>66,252</u>
	<u>\$ 53,869</u>	<u>\$ 55,998</u>

Depreciation expense amounted to \$20,358 and \$11,385 for the years ended December 31, 2012 and 2011, respectively.

5. Research Grants PayableGrants Authorized But Unpaid

Grants of \$1,120,000 and \$666,250, authorized but unpaid as of December 31, 2012 and 2011, respectively, are reported as liabilities.

Conditional Grants

Conditional grant obligations, which are not included in the accompanying statements of financial position, are dependent upon approval by the Scientific Review Panel and the Organization's ability to pay. Awarded obligations by grant year, which generally runs from September through August, as of December 31, 2012, are as follows:

<u>Grant Year</u>	<u>Expected Awards</u>
2013-14	\$ 965,000
2014-15	325,000
2015-16	150,000
2016-17	100,000
2017-18	50,000
Thereafter	<u>50,000</u>
	<u>\$ 1,640,000</u>

6. Split-Interest AgreementsCharitable Gift Annuities

A charitable gift annuity is an arrangement between a donor and the Organization in which the donor contributes assets to the Organization in exchange for a promise by the Organization to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. Assets received by the Organization under such agreements are recorded at fair value on the date of execution. In the case of annuities to be paid over the remaining lives of the beneficiaries, an annuity liability is recorded based on life expectancy tables published by the Internal Revenue Service for retirement distributions, which the Organization believes to be a reasonable actuarial estimate for this type of split-interest agree-

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

ment. The difference between the fair value of the assets donated and the annuity liability is recorded as unrestricted contribution revenue, unless donor-imposed restrictions or state law require other recognition. Amortization over the term of an annuity is provided for using a discount rate equal to the yield, at the date of execution, indicated by Merrill Lynch's index for "AAA"-rated corporate bonds with maturities in the range of the annuity term.

The annual change in value of such split-interest agreements of \$5,888 and \$7,207 in 2012 and 2011, respectively, is recognized in the accompanying statements of activities.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$2,890,105 and \$2,916,696 as of December 31, 2012 and 2011, respectively, are available for subsequent years' grant awards and other program activities. These amounts include \$2,113,957 and \$1,636,237 as of December 31, 2012 and 2011, respectively, of endowments and investment returns on permanent endowments and \$776,148 and \$1,280,459 as of December 31, 2012 and 2011, respectively, arising from promises to give and other assets.

8. Endowment Funds

Permanently restricted net assets as of December 31, 2012 and 2011 consist of endowment funds to support cancer research in Israel. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and income from the funds is to

be expended for cancer research in Israel. The historic dollar value of those contributions must be maintained inviolate. Income from the fund is classified as temporarily restricted net assets until the purpose of the restriction is satisfied. When the purpose of the restriction is met, the net assets are reclassified to unrestricted net assets.

All donor-restricted endowment funds are invested in fixed income instruments pursuant to the Organization's investment and spending objectives of subjecting the funds to low investment risk and providing current income. The Organization generally expends the endowment funds' investment income for the donor-designated purpose when sufficient funds are available.

The composition of endowment net assets for these funds and the changes in endowment net assets as of December 31, 2012 and 2011 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2011	\$ 1,579,027	\$ 1,428,837	\$ 3,007,864
Contributions	542,297	-	542,297
Investment income	8,413	-	8,413
Program expenditures	(493,500)	-	(493,500)
Endowment net assets, December 31, 2011	1,636,237	1,428,837	3,065,074
Contributions	985,906	-	985,906
Investment income	54,755	-	54,755
Program expenditures	(562,941)	-	(562,941)
Endowment net assets, December 31, 2012	<u>\$ 2,113,957</u>	<u>\$ 1,428,837</u>	<u>\$ 3,542,794</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

**9. Description of Program
and Supporting Services**

The following program and supporting services are included in the accompanying financial statements:

Research

The Organization annually awards grants to research scientists in Israel. Scientists send proposals to the Organization. These proposals are then graded and scored by the Organization's Scientific Review Panels. The proposals are finally reviewed by the Organization's International Scientific Council, which presents recommendations to the Organization's International Board of Trustees, through its Chairman, for approval.

Grants are made by the Organization based on the evaluations of the International Scientific Council and the amount of funding available to support the grant proposals. The Organization has always had more proposals worthy of funding than funds available.

The Organization awards seven types of grants, as follows:

- (a) Distinguished Chairs, which are awarded to full-time senior faculty or persons in equivalent positions, and who have been honored with top international awards, such as a Nobel Prize, for their outstanding contributions to cancer research. The current grant for a Distinguished Chair is \$200,000 per year for five years, or a total of \$1,000,000.
- (b) Professorships, which are awarded to full-time senior faculty or persons in

equivalent positions who have made outstanding contributions to cancer research. The current grant for a Professorship is \$50,000 per year for seven years, or a total of \$350,000.

- (c) Clinical Research Career Development Awards, which are awarded to promising young medical or pediatric oncologists to afford them time to conduct clinical research projects and to obtain additional training to become leaders in clinical research programs. The current grant for a Clinical Research Career Development Award is \$45,000 per year for three years, or a total of \$135,000.
- (d) Research Career Development Awards, which are awarded to promising cancer researchers who have advanced beyond the postdoctoral level and are well on their way to becoming outstanding independent investigators. The current grant for a Research Career Development Award is \$35,000 per year for three years, or a total of \$105,000.
- (e) Acceleration Grants, which are intended to speed up our efforts to fully understand the biology behind cancer. Recipients are required to propose highly-innovative approaches that have the promise of pioneering new ways of thinking about cancer biology and therapeutics. The current grant for an Acceleration Grant is \$50,000 per year for two years, or a total of \$100,000.
- (f) Project Grants, which are awarded to support the research of established investigators working on specific projects. The current grant for a Project

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

Grant is \$30,000 per year for two years, or a total of \$60,000.

- (f) Postdoctoral Fellowships, which are awarded to new M.D.s and Ph.D.s who will apprentice in the laboratories of senior investigators. The current grant for a Postdoctoral Fellowship is \$25,000 per year for two years, or a total of \$50,000.

An additional 10% for indirect cost recovery is requested from all cancer research grant sponsors.

During 2012, the Organization funded scientists at eight research institutions in Israel. The Organization has arranged that all funds granted are provided to the scientists for research, with no overhead charge paid to the institutions.

Scientists funded by the Organization have done outstanding work, conducting basic research which has led to effective prescription medications. Two scientists funded by the Organization were awarded the Nobel Prize in Chemistry in 2004.

All grants awarded by the Organization are contingent upon the awardees conducting the specific research contemplated in their proposals and upon the Organization having sufficient means to make payments to the awardees.

Although it is frequently the intention of the Organization to award grants that will extend over multiple years, each multi-year grant is subject to an annual review and re-approval by the International Scientific Council. Accordingly, only the amount of grants awarded or

approved in the current year is reported as an expense in the accompanying financial statements.

Public Information

The Organization publishes information that encourages an understanding of all aspects of cancer, its treatments and the research that is ongoing in Israel and across the globe to stem the spread and devastation of the disease.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the International Board of Trustees; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

Management and general expenses accounted for 20.1% and 28.9% of total expenses for the years ended December 31, 2012 and 2011, respectively.

Fund-Raising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations. Fund-raising activities represented 30.3% and 28.0% of the Organization's total expenses for the years ended December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

10. Advertising

The Organization uses advertising and public relations services to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During 2012 and 2011, advertising and public relations costs totaled \$48,620, or 1.2%, and \$58,814, or 1.6%, respectively, of total expenses.

11. Employee Benefit Plans

Tax-Deferred Annuity Plan

The Organization maintains a tax-deferred annuity plan ("Plan") qualified under Section 403(b) of the Internal Revenue Code. When employees are hired they are eligible to participate in the Plan. The Plan covers all eligible employees of the Organization who have elected to participate in the Plan. The Organization contributes 2% of gross salaries for qualified employees to the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish. In 2012 and 2011, plan expense, representing the Organization's contributions to the Plan, was approximately \$12,000 and \$10,000, respectively.

12. Financial Instruments

Concentrations of Credit Risk Due to Temporary Cash Investments and Promises to Give Receivable

Financial instruments that potentially subject the Organization to credit risk consist principally of temporary cash investments and receivables from promises to give. The

Organization places its temporary cash investments in multiple accounts with a brokerage firm; thereby limiting the amount of credit exposure to any one account. The account at the brokerage firm contains cash, money market funds and other securities. Individual account balances are insured up to \$500,000, with a limit of \$100,000 for cash and \$400,000 for securities, by the Securities Investor Protection Corporation ("SIPC"). As of December 31, 2012 and 2011, the Organization had approximately \$4,810,000 and \$3,360,000, respectively, in excess of SIPC insured limits.

Concentrations of credit risk with respect to promises receivable depend on the number of contributors comprising the Organization's contributor base and their dispersion across different industries and geographic areas. As of December 31, 2012 and 2011, 77% and 52%, respectively, of the Organization's receivables from promises to give were from three donors.

Concentrations of Risk of Loss Arising From Cash Deposits in Excess of Insured Limits

The Organization maintains cash balances and U.S. treasury bonds at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the FDIC insured limit of \$250,000 for cash. As of December 31, 2012 and 2011, the Organization's uninsured cash balances totaled approximately \$1,310,000 and \$640,000, respectively.

Fair Values of Financial Instruments

The Organization has a number of financial instruments, consisting primarily of U.S.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

Treasury bonds, other government bonds, money market accounts, certificates of deposit and high-grade corporate bonds. The Organization has determined that the fair value of all financial instruments as of December 31, 2012 and 2011, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position (Note 3).

13. Commitments**Lease Commitments**

The Organization has noncancelable operating leases for offices in New York and California and parking spaces in California that expire at various dates through February, 2017. Rental expenses for those leases were \$118,735 and \$116,389 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2012, including the leases referred to above, are:

<u>Years Ending December 31,</u>	<u>Minimum Payments</u>
2013	\$ 125,481
2014	133,314
2015	113,969
2016	108,696
2017	23,488
	<u>\$ 504,948</u>

14. Related Entities

The Organization has three affiliates that serve as local chapters of the Organization in

Canada and Israel. The Organization has no ownership or voting interests in these local chapters. However, agreements between the local chapters and the Organization give the Organization involvement in the awarding of research grants by the local chapters through its International Board of Trustees and Scientific Review Panels. The Organization awarded \$1,315,000 and \$1,405,000 of grants on behalf of its Canadian and Israeli affiliates in 2012 and 2011, respectively.

15. Intangible Assets

In March 2004, the Organization invested \$250,000 in the development of a park in Israel. In return, the Organization received naming rights to the park and the right to construct a "Donor Wall" in the park. It is the Organization's plan to offer organizations or individuals, on a fee basis, the right to name the park and its physical assets (benches, gazebos, etc.) and to inscribe the names of large donors on the Donor Wall. An initial donation of \$219,107 was made by an estate to offset the costs of the park in return for a marker stone naming the donor. Consequently, the Organization has capitalized the development cost of \$250,000 in the accompanying statements of financial position. The Organization has implemented a capital plan to attract these contributions by expanding its marketing material and outreach. At such time as expected future cash flows can be reasonably estimated, an amortization life will be assigned to the intangible asset in order to properly match the expense associated with the acquisition of the asset to the periods of benefit.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2012 and 2011

16. Costs of Joint Activities

Direct Mail

The Organization may achieve some of its programmatic and management and general goals in direct mail campaigns that include requests for contributions. If certain criteria related to the purpose, audience and content of the mailings are met, joint costs that are not directly attributable to either the program or management and general components, or the fund-raising component, of the mailing are allocated based on the relative importance of each function to the campaign. For the years ended December 31, 2012 and 2011, all costs related to direct mail campaigns were attributable to fund-raising.

Special Events

The Organization conducts special events during the course of the year, such as an annual dinner, educational seminars, and other events intended to further the mission of the Organization and to solicit funds for the continued support of that mission. If certain criteria related to the purpose, audience and

content of the event are met, costs incurred jointly to support the program or management and general functions, and the fund-raising functions of the event, are allocated to the appropriate functional categories in the statements of functional expenses. If the criteria related to the purpose, audience and content of the event are not met, all costs of the event are considered fund-raising expenses. In all cases, the cost of goods or services provided in an exchange transaction that is part of the joint activity, such as costs of direct donor benefits of a special event (e.g., a meal) is not reported as fundraising costs but rather as a net reduction of special event income in the statements of activities. For the years ended December 31, 2012 and 2011, all special event expenses, except for the cost of direct benefit to donors, were attributable to fund-raising.

17. Subsequent Events

The Organization has evaluated subsequent events through November 12, 2013, the date the financial statements were available to be issued. The Company had no material subsequent events requiring disclosure.