

ISRAEL CANCER RESEARCH FUND, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**ISRAEL CANCER RESEARCH FUND, INC.
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Israel Cancer Research Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
December 8, 2017

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 9,467,867	\$ 6,949,274
Investments	808,866	2,337,303
Unconditional promises to give, less allowances of \$15,151 and \$500 for 2016 and 2015, respectively	2,952,498	4,862,639
Prepaid expenses and other current assets	49,015	71,333
Property and equipment, net	30,797	28,850
Deposits	19,854	18,632
TOTAL ASSETS	\$ 13,328,897	\$ 14,268,031
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 107,777	\$ 81,516
Research grants payable	1,417,000	1,402,504
Gift annuities payable	100,305	139,264
Other current liabilities	59,906	-
Deferred rent payable	6,610	19,145
Total liabilities	1,691,598	1,642,429
Commitments (Notes 10 and 14)		
Net assets:		
Unrestricted	4,797,517	4,999,318
Temporarily restricted	4,290,490	5,076,992
Permanently restricted	2,549,292	2,549,292
Total net assets	11,637,299	12,625,602
TOTAL LIABILITIES AND NET ASSETS	\$ 13,328,897	\$ 14,268,031

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Revenues and public support:				
Contributions, legacies and bequests	\$ 954,643	\$ 1,245,440	\$ -	\$ 2,200,083
Investment income	14,850	24,337	-	39,187
Realized and unrealized gain on investments	61,757	41,309	-	103,066
Special events:				
Special event income	\$1,935,596			
Less: cost of direct benefit to donors				<u>226,770</u>
Total special events income	1,708,826	-	-	1,708,826
Donated services	336,774	-	-	336,774
Other income	34,209	-	-	34,209
Net assets released from restrictions	<u>2,097,588</u>	<u>(2,097,588)</u>	<u>-</u>	<u>-</u>
Total revenues and public support	<u>5,208,647</u>	<u>(786,502)</u>	<u>-</u>	<u>4,422,145</u>
Expenses:				
Program services:				
Research	2,973,505	-	-	2,973,505
Public information	<u>91,161</u>	<u>-</u>	<u>-</u>	<u>91,161</u>
Total program services	<u>3,064,666</u>	<u>-</u>	<u>-</u>	<u>3,064,666</u>
Supporting services:				
Management and general	566,000	-	-	566,000
Fundraising	<u>1,779,782</u>	<u>-</u>	<u>-</u>	<u>1,779,782</u>
Total supporting services	<u>2,345,782</u>	<u>-</u>	<u>-</u>	<u>2,345,782</u>
Total expenses	<u>5,410,448</u>	<u>-</u>	<u>-</u>	<u>5,410,448</u>
Decrease in net assets	(201,801)	(786,502)	-	(988,303)
Net assets - beginning of year	<u>4,999,318</u>	<u>5,076,992</u>	<u>2,549,292</u>	<u>12,625,602</u>
NET ASSETS - END OF YEAR	<u>\$ 4,797,517</u>	<u>\$ 4,290,490</u>	<u>\$ 2,549,292</u>	<u>\$ 11,637,299</u>

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily	Permanently	
	<u>Net Assets</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and public support:				
Contributions, legacies and bequests	\$ 1,739,299	\$ 2,927,089	\$ 29,618	\$ 4,696,006
Investment income	6,123	54,538	-	60,661
Realized and unrealized gain (loss) on investments	(8,121)	26,298	-	18,177
Special events:				
Special event income	\$1,953,104			
Less: cost of direct benefit to donors	<u>172,540</u>			
Total special events income	1,780,564	-	-	1,780,564
Donated services	254,639	-	-	254,639
Other income	20,950	-	-	20,950
Net assets released from restrictions	<u>2,201,820</u>	<u>(2,201,820)</u>	<u>-</u>	<u>-</u>
Total revenues and public support	<u>5,995,274</u>	<u>806,105</u>	<u>29,618</u>	<u>6,830,997</u>
Expenses:				
Program services:				
Research	3,172,072	-	-	3,172,072
Public information	<u>109,269</u>	<u>-</u>	<u>-</u>	<u>109,269</u>
Total program services	<u>3,281,341</u>	<u>-</u>	<u>-</u>	<u>3,281,341</u>
Supporting services:				
Management and general	517,662	-	-	517,662
Fundraising	<u>1,797,734</u>	<u>-</u>	<u>-</u>	<u>1,797,734</u>
Total supporting services	<u>2,315,396</u>	<u>-</u>	<u>-</u>	<u>2,315,396</u>
Total expenses	<u>5,596,737</u>	<u>-</u>	<u>-</u>	<u>5,596,737</u>
Increase in net assets	398,537	806,105	29,618	1,234,260
Net assets - beginning of year	<u>4,600,781</u>	<u>4,270,887</u>	<u>2,519,674</u>	<u>11,391,342</u>
NET ASSETS - END OF YEAR	<u>\$ 4,999,318</u>	<u>\$ 5,076,992</u>	<u>\$ 2,549,292</u>	<u>\$12,625,602</u>

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			Management and General	Supporting Services			Total
	Research	Public Information	Total		Fundraising	Direct Benefit to Donors	Total	
Compensation and related expenses:								
Salaries and wages	\$ 164,971	\$ 58,500	\$ 223,471	\$ 236,617	\$ 670,707	\$ -	\$ 907,324	\$ 1,130,795
Payroll taxes	12,256	4,791	17,047	17,992	52,070	-	70,062	87,109
Employee benefits	<u>33,300</u>	<u>5,474</u>	<u>38,774</u>	<u>45,304</u>	<u>89,214</u>	-	<u>134,518</u>	<u>173,292</u>
Total compensation and related expenses	210,527	68,765	279,292	299,913	811,991	-	1,111,904	1,391,196
Research grants awarded	2,283,500	-	2,283,500	-	-	-	-	2,283,500
Occupancy:								
Rent	30,893	15,899	46,792	63,412	44,574	-	107,986	154,778
Utilities	2,246	1,156	3,402	1,289	3,237	-	4,526	7,928
Property and casualty insurance	-	-	-	19,637	510	-	20,147	20,147
Repairs and maintenance	1,195	615	1,810	1,510	1,730	-	3,240	5,050
Telephone	3,555	1,748	5,303	13,926	6,081	-	20,007	25,310
Professional fees:								
Accounting and legal	-	-	-	43,276	3,830	-	47,106	47,106
Consulting	12,000	-	12,000	200	174,400	-	174,600	186,600
Outside services	8,205	-	8,205	8,925	48,096	-	57,021	65,226
Administration:								
Mailing, printing, and postage	65	-	65	12,127	217,284	-	229,411	229,476
Office and miscellaneous	2,564	961	3,525	16,003	13,910	-	29,913	33,438
Equipment rental	2,076	1,069	3,145	6,389	51,213	-	57,602	60,747
Bank charges	2,347	-	2,347	8,745	18,909	-	27,654	30,001
Meals and entertainment	19,755	44	19,799	6,397	119,919	226,770	353,086	372,885
Travel	42,508	334	42,842	22,093	54,261	-	76,354	119,196
Conferences and meetings	7,691	-	7,691	11,308	68,043	-	79,351	87,042
Advertising and public relations	740	125	865	8,449	74,329	-	82,778	83,643
Information technology	6,000	-	6,000	5,152	19,550	-	24,702	30,702
Amortization and revaluation of gift annuity	-	-	-	15,543	-	-	15,543	15,543
Consigned goods	-	-	-	-	4,825	-	4,825	4,825
Bad debts	-	-	-	-	41,844	-	41,844	41,844
Total expenses before depreciation and donated services	2,635,867	90,716	2,726,583	564,294	1,778,536	226,770	2,569,600	5,296,183
Depreciation	864	445	1,309	1,706	1,246	-	2,952	4,261
Donated services	<u>336,774</u>	-	<u>336,774</u>	-	-	-	-	<u>336,774</u>
Total expenses	2,973,505	91,161	3,064,666	566,000	1,779,782	226,770	2,572,552	5,637,218
Less: expenses included with revenues on the statement of activities	-	-	-	-	-	(226,770)	(226,770)	(226,770)
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,973,505</u>	<u>\$ 91,161</u>	<u>\$ 3,064,666</u>	<u>\$ 566,000</u>	<u>\$ 1,779,782</u>	<u>\$ -</u>	<u>\$ 2,345,782</u>	<u>\$ 5,410,448</u>

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services			Management and General	Supporting Services			Total
	Research	Public Information	Total		Fundraising	Direct Benefit to Donors	Total	
Compensation and related expenses:								
Salaries and wages	\$ 157,483	\$ 62,033	\$ 219,516	\$ 209,475	\$ 725,317	\$ -	\$ 934,792	\$ 1,154,308
Payroll taxes	12,047	5,105	17,152	16,934	54,996	-	71,930	89,082
Employee benefits	37,014	6,984	43,998	40,694	100,264	-	140,958	184,956
Total compensation and related expenses	206,544	74,122	280,666	267,103	880,577	-	1,147,680	1,428,346
Research grants awarded	2,549,036	-	2,549,036	-	-	-	-	2,549,036
Occupancy:								
Rent	25,979	12,989	38,968	57,211	40,149	-	97,360	136,328
Utilities	2,180	1,090	3,270	1,288	3,369	-	4,657	7,927
Property and casualty insurance	-	-	-	18,084	-	-	18,084	18,084
Repairs and maintenance	445	222	667	263	788	-	1,051	1,718
Telephone	2,501	1,194	3,695	11,820	5,016	-	16,836	20,531
Professional fees:								
Accounting and legal	-	-	-	38,988	8,840	-	47,828	47,828
Consulting	12,000	-	12,000	-	86,120	-	86,120	98,120
Outside services	4,893	-	4,893	13,180	65,441	-	78,621	83,514
Administration:								
Mailing, printing, and postage	5,447	2,815	8,262	14,397	231,082	-	245,479	253,741
Office and miscellaneous	1,699	1,024	2,723	10,548	13,492	-	24,040	26,763
Equipment rental	1,955	977	2,932	5,451	75,767	-	81,218	84,150
Bank charges	43	-	43	5,554	25,289	-	30,843	30,886
Meals and entertainment	33,219	10,434	43,653	4,662	67,220	172,540	244,422	288,075
Travel	47,888	3,056	50,944	9,844	161,541	-	171,385	222,329
Conferences and meetings	10,826	330	11,156	532	48,909	-	49,441	60,597
Advertising and public relations	5,248	258	5,506	5,442	54,869	-	60,311	65,817
Information technology	6,015	-	6,015	30,043	20,573	-	50,616	56,631
Amortization and revaluation of gift annuity	-	-	-	20,765	-	-	20,765	20,765
Bad debts	-	-	-	-	6,350	-	6,350	6,350
Total expenses before depreciation and donated services	2,915,918	108,511	3,024,429	515,175	1,795,392	172,540	2,483,107	5,507,536
Depreciation	1,515	758	2,273	2,487	2,342	-	4,829	7,102
Donated services	254,639	-	254,639	-	-	-	-	254,639
Total expenses	3,172,072	109,269	3,281,341	517,662	1,797,734	172,540	2,487,936	5,769,277
Less: expenses included with revenues on the statement of activities	-	-	-	-	-	(172,540)	(172,540)	(172,540)
TOTAL FUNCTIONAL EXPENSES	\$ 3,172,072	\$ 109,269	\$ 3,281,341	\$ 517,662	\$ 1,797,734	\$ -	\$ 2,315,396	\$ 5,596,737

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (988,303)	\$ 1,234,260
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	4,261	7,102
Bad debt expense	41,844	6,350
Donated marketable securities	(1,361,684)	(23,749)
Deferred rent expense	(12,535)	(8,087)
Net realized and unrealized gain on investments	(103,066)	(18,177)
Changes in assets and liabilities:		
Unconditional promises to give	1,868,299	(1,516,245)
Prepaid expenses and other current assets	22,318	(1,326)
Deposits	(1,222)	1,361
Accounts payable and accrued expenses	21,174	(109,757)
Research grants payable	14,496	(75,828)
Gift annuities payable	(38,959)	(28,725)
Deferred revenue	5,086	-
Conditional liability	<u>59,906</u>	<u>-</u>
Net cash used in operating activities	<u>(468,385)</u>	<u>(532,821)</u>
Cash flows from investing activities:		
Purchases of investments	(400,937)	(300,096)
Proceeds from sales and redemptions of investments	3,394,124	33,021
Purchase of equipment and improvements	<u>(6,209)</u>	<u>(12,161)</u>
Net cash provided by (used in) investing activities	<u>2,986,978</u>	<u>(279,236)</u>
Net increase (decrease) in cash and cash equivalents	2,518,593	(812,057)
Cash and cash equivalents - beginning of year	<u>6,949,274</u>	<u>7,761,331</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,467,867</u>	<u>\$ 6,949,274</u>

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. 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 supported primarily through donor contributions, and maintains chapters and offices in New York, California, Illinois, Connecticut and Florida. The Organization has affiliates in Toronto, Montreal and Jerusalem.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and are presented in accordance with accounting requirements for not-for-profit organizations. These requirements provide that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows, and that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor stipulations regarding their use.

The net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets are net assets whose use has been limited by donors to a specific time period and/or purpose.
- Permanently restricted net assets are subject to donor-imposed stipulations that the principal corpus be maintained in perpetuity.

Use of Estimates

The preparation of financial statements and related disclosures in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Pledges are recognized as contribution income when a donor makes a pledge that is, in substance, unconditional. Pledges to be received over periods longer than a single year are discounted at the risk free rate.

Contributions received are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use or if they are designated as support for future periods. When a donor restriction is

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "Net assets released from restrictions."

Conditional promises to give are recognized only when the conditions are met and the promises become unconditional.

Contributions received whereby the principal portion is required to be held in perpetuity are recorded as permanently restricted net assets. The purposes for which the income and net appreciation arising from the underlying assets may be used depend on the wishes of those donors. Those earnings are classified as either unrestricted or temporarily restricted in the accompanying statements of activities, pending appropriation by the board of trustees.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Organization's gains and losses on investments bought and sold, as well as held, during the year.

Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Property and Equipment

The Organization capitalizes all property and equipment that materially prolong the useful lives of assets. Maintenance and repairs are expensed as incurred. Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Depreciation is computed primarily using the straight-line method. Leasehold improvements are depreciated over the lesser of the asset's useful life or the term of the lease. When property and equipment 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 statements of activities.

Donated Assets

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

Donated Services

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.

The Organization was provided professional services to assist with the awarding of research grants at no charge. The value of such services was computed based on the hourly rates of scientists participating on the Scientific Review Panel for the awarding of research grants (see Note 10). For the years ended December 31, 2016 and 2015, the Organization received \$336,774 and \$254,639 in program research services, respectively, which are reflected as "Donated services" in the accompanying statements of activities and functional expenses.

In addition, a number of unpaid volunteers have made or have agreed to make significant contributions of their time to the Organization. The value of such contributions is not reflected in the accompanying financial statements since these services do not require specialized skills.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Income Tax Status

The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and from state income taxes.

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that this new guidance will have on its financial statements and related disclosures, but has not yet determined the timing of adoption.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. The Organization is evaluating the effect that this new guidance will have on its financial statements and related disclosures, but has not yet determined the timing of adoption.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through December 8, 2017, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 1,661,718	\$ 2,369,927
Receivable in one to five years	1,660,025	2,765,825
Receivable in more than five years	<u>150,000</u>	<u>357,000</u>
Total unconditional promises to give	3,471,743	5,492,752
Less: discounts to net present value	504,094	629,613
Less: allowances for uncollectible promises to give	<u>15,151</u>	<u>500</u>
Net unconditional promises to give at December 31	<u>\$ 2,952,498</u>	<u>\$ 4,862,639</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 0.65% to 4.53% depending upon the date pledged.

As of December 31, 2016 and 2015, 66% and 75% of the Organization's receivables from unconditional promises to give were from two donors, respectively.

Based on management's past experience, the aging of receivables and subsequent receipts, \$15,151 and \$500 has been reserved for doubtful collections of promises to give at December 31, 2016 and 2015, respectively.

NOTE 4. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

ISRAEL CANCER RESEARCH FUND, INC.
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NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the Organization's assets measured at fair value on a recurring basis, using the fair value hierarchy as of December 31, 2016 and 2015:

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2016	Valuation Technique
Money market funds	\$ 8,210,520	\$ -	\$ -	\$ 8,210,520	(a)
Common stocks:					
Consumer staples	3,216	-	-	3,216	(a)
Financial institution	1,812	-	-	1,812	(a)
Exchange traded fund - growth	747,484	-	-	747,484	(a)
Fixed income securities:					
Israel government bonds	-	56,354	-	56,354	(a)
Total	<u>\$ 8,963,032</u>	<u>\$ 56,354</u>	<u>\$ -</u>	<u>\$ 9,019,386</u>	

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2015	Valuation Technique
Money market funds	\$ 5,935,191	\$ -	\$ -	\$ 5,935,191	(a)
Common stock - energy	1,807	-	-	1,807	(a)
Exchange traded fund - growth	291,534	-	-	291,534	(a)
Fixed income securities:					
U.S. government bonds	-	1,983,062	-	1,983,062	(a)
Israel government bonds	-	60,900	-	60,900	(a)
Total	<u>\$ 6,228,532</u>	<u>\$ 2,043,962</u>	<u>\$ -</u>	<u>\$ 8,272,494</u>	

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2016 and 2015:

Money market funds are valued at cost plus accrued interest, which approximates fair value.

Common stocks are valued based on quoted market prices, when available, or market prices provided by recognized broker-dealers or fund managers.

Exchange traded funds are valued at quoted market prices, which represent the values of the underlying securities in such funds.

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NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

U.S. government and Israel bonds are valued based on the last reported bid price provided by broker-dealers.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

NOTE 5. PROPERTY AND EQUIPMENT

As of December 31, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 4,883	\$ 4,883
Computer equipment and software	125,419	125,330
Furniture and fixtures	<u>24,312</u>	<u>22,388</u>
	154,614	152,601
Less: accumulated depreciation	<u>123,817</u>	<u>123,751</u>
	<u>\$ 30,797</u>	<u>\$ 28,850</u>

Depreciation expense amounted to \$4,261 and \$7,102 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6. RESEARCH GRANTS PAYABLE

Grants Authorized But Unpaid

Grants of \$1,417,000 and \$1,402,504, authorized but not disbursed as of December 31, 2016 and 2015, respectively, are reported as liabilities in the accompanying statements of financial position.

Conditional Grants

Conditional grant obligations of \$2,825,000 as of December 31, 2016, 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, 2016, are as follows:

<u>Grant Year</u>	<u>Expected Awards</u>
2017-18	\$ 1,320,000
2018-19	855,000
2019-20	350,000
2020-21	200,000
2021-22	<u>100,000</u>
	<u>\$ 2,825,000</u>

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NOTE 7. GIFT ANNUITIES PAYABLE

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 agreement. 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 \$15,543 and \$20,765 in 2016 and 2015, respectively, is recognized in the accompanying statements of functional expenses.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$4,290,490 and \$5,076,992 as of December 31, 2016 and 2015, respectively, are available for subsequent years' grant awards and other program activities. These amounts include \$2,091,807 and \$1,924,408 as of December 31, 2016 and 2015, respectively, of endowments and investment returns on permanent endowments.

NOTE 9. ENDOWMENT FUNDS

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Organization and its board of trustees have interpreted NYPMIFA as requiring the preservation in perpetuity 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. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Donor-restricted endowment funds are invested in money market, exchange traded and fixed income instruments pursuant to the Organization's investment and spending objectives of subjecting the funds to low investment risk and providing current income.

ISRAEL CANCER RESEARCH FUND, INC.
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NOTE 9. ENDOWMENT FUNDS (CONTINUED)

The composition of endowment net assets for these funds and the changes in endowment net assets as of December 31, 2016 and 2015, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ 1,696,034	\$ 2,519,674	\$ 4,215,708
Contributions	689,702	29,618	719,320
Investment income	54,538	-	54,538
Unrealized gain	26,298	-	26,298
Appropriated for program expenditures	<u>(542,164)</u>	<u>-</u>	<u>(542,164)</u>
Endowment net assets, December 31, 2015	1,924,408	2,549,292	4,473,700
Contributions	902,003	-	902,003
Investment income	24,337	-	24,337
Unrealized gain	40,559	-	40,559
Appropriated for program expenditures	<u>(799,500)</u>	<u>-</u>	<u>(799,500)</u>
Endowment net assets, December 31, 2016	<u>\$ 2,091,807</u>	<u>\$ 2,549,292</u>	<u>\$ 4,641,099</u>

NOTE 10. PROGRAMMATIC ACTIVITIES

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 awards ten types of grants, as follows:

- (a) 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.
- (b) 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.
- (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.

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NOTE 10. PROGRAMMATIC ACTIVITIES (CONTINUED)

Research (Continued)

- (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) Project Grants, which are awarded to support the research of established investigators working on specific projects under the direction of designated principal investigators. The current grant for a Project Grant is \$50,000 per year for two years, or a total of \$100,000.
- (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.
- (g) Gesher Awards, which are awarded to scientists who wish to return to Israel to develop an independent research program after their period of postdoctoral training abroad. The Organization has partnered with the Israeli Ministry of Science, Technology, and Space ("MOST") to develop this joint program aimed at encouraging young scientists to return to Israel. Applications must be submitted while the applicant is conducting research outside Israel; during the funding period, the applicant must conduct his or her research in Israel. The current grant for a Gesher Award is NIS200,000 per year for three years, or a total of NIS600,000. The Organization will provide NIS100,000 per year for research expenses, while MOST will provide NIS100,000 per year for living expenses.
- (h) Len and Susan Mark Initiative for Ovarian and Uterine/MMMT Cancer Grants, which are awarded to support the research of established investigators to advance our knowledge of the pathogenesis and treatment of Ovarian and Uterine/MMMT Cancers. This special grant is approximately \$60,000 per year for three years, or a total of \$180,000.
- (i) International Collaboration Grants, which are awarded to promote international partnerships for outstanding cancer research in Israel between an investigator in Israel and a collaborating investigator in Canada or the United States. The support to the participating institutions will be divided such that 80% of the funds will be designated for the investigator in Israel and 20% will be designated to the investigator in North America. The current grant for an International Collaboration Grant is \$150,000 per year for three years, or a total of \$450,000.
- (j) Barron Cancer Research Scholars' Program Grants, which are awarded to foster outstanding collaborative research and promote the exchange of ideas between exceptional researchers in the United States at City of Hope in Duarte, CA, and in Israel. The four interrelated components of the program are: 1) one-year collaborative grants to scientists at City of Hope and in Israel, for \$75,000; 2) one year of postdoctoral training at City of Hope for promising young Israeli scientists, for \$71,203; 3) six-month Sabbaticals for established Israeli scientists at City of Hope and for City of Hope Scientists in Israel, for \$62,000; and 4) an annual symposium that will bring researchers from the United States and Israel together to share research discoveries.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10. PROGRAMMATIC ACTIVITIES (CONTINUED)

Research (Continued)

During 2016, the Organization funded scientists at 13 research institutions in Israel, as well as three research institutes in North America, that were awarded International Collaboration Grants. The Organization has arranged that all funds granted are provided to the scientists for research, with no overhead charge paid to the institutions.

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 grant amounts awarded and approved in the current year are 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.

NOTE 11. 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 2016 and 2015, advertising and public relations costs totaled \$83,643 and \$65,817, respectively.

NOTE 12. EMPLOYEE BENEFIT PLANS

The Organization maintains a 403(b) plan covering all eligible employees. During 2016 and 2015, the Organization made contributions to the plan amounting to \$14,947 and \$16,234, respectively, which are included in "Employee benefits" in the accompanying statements of functional expenses.

NOTE 13. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of insured amounts and investments. At times, the Organization's cash and cash equivalents and investments, which are placed with major financial institutions and brokerages, exceed the insurance coverage provided by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. The Organization has not experienced any losses in such accounts.

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NOTE 14. COMMITMENTS AND CONTINGENCIES

Commitments

The Organization has noncancelable operating leases for offices in New York, California and Illinois that expire at various dates through June 2020. In January 2017, the Organization executed a lease agreement for an office in New York, which will continue through February 2024. In February 2017, the Organization executed a lease agreement for an office in Illinois, which will continue through March 2019.

Future minimum lease payments for these operating leases at December 31, 2016, are as follows:

<u>Years Ending December 31:</u>	<u>Minimum Payments</u>
2017	\$ 182,137
2018	209,365
2019	220,784
2020	208,491
2021	199,165
Thereafter	<u>472,866</u>
	<u>\$ 1,492,808</u>

Rental payments under these leases are recognized on a straight-line basis over the terms of the leases. The difference between the actual rent paid and the expense recognized under the terms of these leases is included in "Deferred rent payable" in the accompanying statements of financial position. Rent expense incurred in connection with these leases amounted to \$134,147 and \$131,153 for the years ended December 31, 2016 and 2015, respectively.

Contingencies

The Organization is involved in various claims and legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Organization or the results of its operations.

NOTE 15. RELATED ENTITIES

The Organization has three affiliates that serve as local chapters of the Organization in Canada and Israel. The Organization has no 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 \$1,338,500 and \$1,200,000 of grants on behalf of its Canadian and Israeli affiliates in 2016 and 2015, respectively.