

ISRAEL CANCER RESEARCH FUND, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**ISRAEL CANCER RESEARCH FUND, INC.
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
November 12, 2018

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 8,144,600 | \$ 9,467,867 |
| Investments | 2,800,481 | 808,866 |
| Unconditional promises to give, net | 3,355,890 | 2,952,498 |
| Prepaid expenses and other current assets | 118,766 | 49,015 |
| Property and equipment, net | 38,967 | 30,797 |
| Deposits | 48,487 | 19,854 |
| TOTAL ASSETS | \$ 14,507,191 | \$ 13,328,897 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 230,517 | \$ 107,777 |
| Research grants payable | 1,649,750 | 1,417,000 |
| Gift annuities payable | 77,846 | 100,305 |
| Other current liabilities | 249,258 | 59,906 |
| Deferred rent payable | 44,299 | 6,610 |
| Total liabilities | 2,251,670 | 1,691,598 |
| Commitments (Notes 10 and 14) | | |
| Net assets: | | |
| Unrestricted | 4,768,644 | 4,797,517 |
| Temporarily restricted | 4,937,585 | 4,290,490 |
| Permanently restricted | 2,549,292 | 2,549,292 |
| Total net assets | 12,255,521 | 11,637,299 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 14,507,191 | \$ 13,328,897 |

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Unrestricted Net Assets | Temporarily Restricted Net Assets | Permanently Restricted Net Assets | Total |
|--|----------------------------|---|---|----------------------|
| Revenues and public support: | | | | |
| Contributions, legacies and bequests | \$ 1,885,154 | \$ 2,885,390 | \$ - | \$ 4,770,544 |
| Investment income | 37,802 | 19,055 | - | 56,857 |
| Realized and unrealized gain (loss) on investments | 144,152 | (11,296) | - | 132,856 |
| Special events: | | | | |
| Special event income | \$2,120,475 | | | |
| Less: cost of direct benefit to donors | <u>250,824</u> | | | |
| Total special events income | 1,869,651 | - | - | 1,869,651 |
| Donated services | 300,644 | - | - | 300,644 |
| Change in valuation of annuity obligation | (7,536) | - | - | (7,536) |
| Other income | 12,613 | - | - | 12,613 |
| Net assets released from restrictions | <u>2,246,054</u> | <u>(2,246,054)</u> | <u>-</u> | <u>-</u> |
| Total revenues and public support | <u>6,488,534</u> | <u>647,095</u> | <u>-</u> | <u>7,135,629</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Research | 3,411,874 | - | - | 3,411,874 |
| Public information | <u>227,376</u> | <u>-</u> | <u>-</u> | <u>227,376</u> |
| Total program services | <u>3,639,250</u> | <u>-</u> | <u>-</u> | <u>3,639,250</u> |
| Supporting services: | | | | |
| Management and general | 804,772 | - | - | 804,772 |
| Fundraising | <u>2,073,385</u> | <u>-</u> | <u>-</u> | <u>2,073,385</u> |
| Total supporting services | <u>2,878,157</u> | <u>-</u> | <u>-</u> | <u>2,878,157</u> |
| Total expenses | <u>6,517,407</u> | <u>-</u> | <u>-</u> | <u>6,517,407</u> |
| Changes in net assets | (28,873) | 647,095 | - | 618,222 |
| Net assets - beginning of year | <u>4,797,517</u> | <u>4,290,490</u> | <u>2,549,292</u> | <u>11,637,299</u> |
| NET ASSETS - END OF YEAR | <u>\$ 4,768,644</u> | <u>\$ 4,937,585</u> | <u>\$ 2,549,292</u> | <u>\$ 12,255,521</u> |

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 |
| Change in valuation of annuity obligation | (15,543) | - | - | (15,543) |
| 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>5,193,104</u> | <u>(786,502)</u> | <u>-</u> | <u>4,406,602</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 | 550,457 | - | - | 550,457 |
| Fundraising | <u>1,779,782</u> | <u>-</u> | <u>-</u> | <u>1,779,782</u> |
| Total supporting services | <u>2,330,239</u> | <u>-</u> | <u>-</u> | <u>2,330,239</u> |
| Total expenses | <u>5,394,905</u> | <u>-</u> | <u>-</u> | <u>5,394,905</u> |
| Changes 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Program Services | | | Supporting Services | | | Total |
|--|---------------------|--------------------|---------------------|------------------------|---------------------|--------------------------|---------------------|
| | Research | Public Information | Total | Management and General | Fundraising | Direct Benefit to Donors | |
| Compensation and related expenses: | | | | | | | |
| Salaries and wages | \$ 168,750 | \$ 136,023 | \$ 304,773 | \$ 371,513 | \$ 733,829 | \$ - | \$ 1,105,342 |
| Payroll taxes | 12,157 | 10,747 | 22,904 | 29,733 | 55,689 | - | 85,422 |
| Employee benefits | 42,120 | 22,206 | 64,326 | 53,798 | 101,598 | - | 155,396 |
| Total compensation and related expenses | 223,027 | 168,976 | 392,003 | 455,044 | 891,116 | - | 1,346,160 |
| Research grants awarded | 2,670,000 | - | 2,670,000 | - | - | - | 2,670,000 |
| Occupancy | 45,966 | 26,679 | 72,645 | 105,673 | 79,903 | - | 185,576 |
| Professional fees: | | | | | | | |
| Accounting and legal | - | - | - | 59,102 | 969 | - | 60,071 |
| Consulting | 12,000 | - | 12,000 | - | 231,523 | - | 243,523 |
| Outside services | 2,876 | 1,000 | 3,876 | 31,826 | 70,726 | - | 106,428 |
| Office and administration | 20,828 | 9,825 | 30,653 | 88,582 | 380,604 | - | 469,839 |
| Meals and entertainment | 39,468 | 13,184 | 52,652 | 13,123 | 84,269 | 250,824 | 400,868 |
| Travel | 15,723 | 5,248 | 20,971 | 21,888 | 76,256 | - | 119,115 |
| Conferences and meetings | 69,415 | 485 | 69,900 | 6,026 | 119,719 | - | 195,645 |
| Advertising and public relations | 3,969 | 1,979 | 5,948 | 9,754 | 73,946 | - | 89,648 |
| Information technology | 7,958 | - | 7,958 | 8,458 | 17,202 | - | 33,618 |
| Consigned goods | - | - | - | - | 22,000 | - | 22,000 |
| Bad debts | - | - | - | - | 25,152 | - | 25,152 |
| Total expenses before depreciation and donated services | 3,111,230 | 227,376 | 3,338,606 | 799,476 | 2,073,385 | 250,824 | 6,462,291 |
| Depreciation | - | - | - | 5,296 | - | - | 5,296 |
| Donated services | 300,644 | - | 300,644 | - | - | - | 300,644 |
| Total expenses | 3,411,874 | 227,376 | 3,639,250 | 804,772 | 2,073,385 | 250,824 | 6,768,231 |
| Less: expenses included with revenues on the statement of activities | - | - | - | - | - | 250,824 | 250,824 |
| TOTAL FUNCTIONAL EXPENSES | \$ 3,411,874 | \$ 227,376 | \$ 3,639,250 | \$ 804,772 | \$ 2,073,385 | \$ - | \$ 6,517,407 |

See accompanying notes to financial statements.

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

| | Program Services | | | Supporting Services | | | Total |
|--|---------------------|--------------------|---------------------|------------------------|---------------------|--------------------------|---------------------|
| | Research | Public Information | Total | Management and General | Fundraising | Direct Benefit to Donors | |
| Compensation and related expenses: | | | | | | | |
| Salaries and wages | \$ 164,971 | \$ 58,500 | \$ 223,471 | \$ 236,617 | \$ 670,707 | \$ - | \$ 907,324 |
| Payroll taxes | 12,256 | 4,791 | 17,047 | 17,992 | 52,070 | - | 70,062 |
| Employee benefits | 33,300 | 5,474 | 38,774 | 45,304 | 89,214 | - | 134,518 |
| Total compensation and related expenses | 210,527 | 68,765 | 279,292 | 299,913 | 811,991 | - | 1,111,904 |
| Research grants awarded | 2,283,500 | - | 2,283,500 | - | - | - | 2,283,500 |
| Occupancy | 33,139 | 17,055 | 50,194 | 84,338 | 48,321 | - | 132,659 |
| Professional fees: | | | | | | | |
| Accounting and legal | - | - | - | 43,276 | 3,830 | - | 47,106 |
| Consulting | 12,000 | - | 12,000 | 200 | 174,400 | - | 186,600 |
| Outside services | 8,205 | - | 8,205 | 8,925 | 48,096 | - | 57,021 |
| Office and administration | 11,802 | 4,393 | 16,195 | 58,700 | 309,127 | - | 384,022 |
| Meals and entertainment | 19,755 | 44 | 19,799 | 6,397 | 119,919 | 226,770 | 372,885 |
| Travel | 42,508 | 334 | 42,842 | 22,093 | 54,261 | - | 76,354 |
| Conferences and meetings | 7,691 | - | 7,691 | 11,308 | 68,043 | - | 79,351 |
| Advertising and public relations | 740 | 125 | 865 | 8,449 | 74,329 | - | 82,778 |
| Information technology | 6,000 | - | 6,000 | 5,152 | 19,550 | - | 24,702 |
| Consigned goods | - | - | - | - | 4,825 | - | 4,825 |
| Bad debts | - | - | - | - | 41,844 | - | 41,844 |
| Total expenses before depreciation and donated services | 2,635,867 | 90,716 | 2,726,583 | 548,751 | 1,778,536 | 226,770 | 2,554,057 |
| Depreciation | 864 | 445 | 1,309 | 1,706 | 1,246 | - | 2,952 |
| Donated services | 336,774 | - | 336,774 | - | - | - | 336,774 |
| Total expenses | 2,973,505 | 91,161 | 3,064,666 | 550,457 | 1,779,782 | 226,770 | 2,557,009 |
| Less: expenses included with revenues on the statement of activities | - | - | - | - | - | 226,770 | 226,770 |
| TOTAL FUNCTIONAL EXPENSES | \$ 2,973,505 | \$ 91,161 | \$ 3,064,666 | \$ 550,457 | \$ 1,779,782 | \$ - | \$ 2,330,239 |
| | | | | | | | \$ 5,394,905 |

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 618,222 | \$ (988,303) |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 5,296 | 4,261 |
| Bad debt expense | 25,152 | 41,844 |
| Loss on disposal of equipment | 1,793 | - |
| Donated marketable securities | (66,347) | (1,361,684) |
| Deferred rent expense | 37,689 | (12,535) |
| Net realized and unrealized gain on investments | (132,856) | (103,066) |
| Changes in assets and liabilities: | | |
| Unconditional promises to give | (428,544) | 1,868,299 |
| Prepaid expenses and other current assets | (69,751) | 22,318 |
| Deposits | (28,633) | (1,222) |
| Accounts payable and accrued expenses | 122,740 | 21,174 |
| Research grants payable | 232,750 | 14,496 |
| Gift annuities payable | (22,459) | (38,959) |
| Deferred revenue | - | 5,086 |
| Conditional liability | 189,352 | 59,906 |
| Net cash provided by (used in) operating activities | 484,404 | (468,385) |
| Cash flows from investing activities: | | |
| Purchases of investments | (2,780,629) | (400,937) |
| Proceeds from sales and redemptions of investments | 988,217 | 3,394,124 |
| Purchase of equipment and improvements | (15,259) | (6,209) |
| Net cash provided by (used in) investing activities | (1,807,671) | 2,986,978 |
| Net change in cash and cash equivalents | (1,323,267) | 2,518,593 |
| Cash and cash equivalents - beginning of year | 9,467,867 | 6,949,274 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 8,144,600 | \$ 9,467,867 |

See accompanying notes to financial statements.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, maintains chapters and offices in New York, California, Illinois, Connecticut, and Florida, and has affiliates in Toronto, Montreal and Tel Aviv. The Organization has invested in 2,400 projects conducted by scientists at 24 Israeli research centers. Scientists funded by the Organization are consistently at the forefront of cancer research with globally significant discoveries. Development of certain cancer drugs reflects research supported by the Organization as does CAR T-cell therapy. Numerous internationally prominent Israeli cancer researchers, including recipients of the Nobel Prize, acknowledge the Organization's endorsement and funding as essential to their success, particularly at the earliest stages of their careers.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") subtopic, *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America ("U.S. 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 an appropriate discount rate commensurate with the risk involved.

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 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

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016, the Organization received \$300,644 and \$336,774 in program research services, respectively, which are reflected as "Donated services" in the accompanying statements of activities and functional expenses. The Organization estimates that approximately 1,500 hours were donated by these scientists.

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. The Organization estimates that approximately 2,500 hours were donated by these volunteers.

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 by management, using appropriate measurement methodologies.

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, and from state income taxes.

The Organization recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under this 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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Organization's previously reported change in net assets.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in U.S. GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2017. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). 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 ASU 2016-02 will have on its financial statements and related disclosures.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*, which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The Organization is evaluating the effect that ASU 2016-14 will have on its financial statements and related disclosures.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through November 12, 2018, 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.

NOTE 3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2017 and 2016, are as follows:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Receivable in less than one year | \$ 1,666,235 | \$ 1,661,718 |
| Receivable in one to five years | 1,971,000 | 1,660,025 |
| Receivable in more than five years | <u>130,000</u> | <u>150,000</u> |
| Total unconditional promises to give | 3,767,235 | 3,471,743 |
| Less: discounts to net present value | 403,746 | 504,094 |
| Less: allowances for uncollectible promises to give | <u>7,600</u> | <u>15,151</u> |
| Net unconditional promises to give at December 31 | <u>\$ 3,355,889</u> | <u>\$ 2,952,498</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.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3. UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

As of December 31, 2017 and 2016, 52% and 66% of the Organization's receivables from unconditional promises to give were from three and two donors, respectively.

Based on management's past experience, the aging of receivables and subsequent receipts, \$7,600 and \$15,151 has been reserved for doubtful collections of promises to give at December 31, 2017 and 2016, 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).

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, 2017 and 2016:

| <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, 2017 | <u>Valuation Technique</u> |
|----------------------------------|---|--|---|----------------------------------|--------------------------------|
| Common stocks: | | | | | |
| Consumer staples | \$ 7,941 | \$ - | \$ - | \$ 7,941 | (a) |
| Healthcare | 1,118 | - | - | 1,118 | (a) |
| Exchange traded fund - growth | 892,380 | - | - | 892,380 | (a) |
| Fixed income securities: | | | | | |
| U.S. government bonds | - | 920,488 | - | 920,488 | (a) |
| Israel government bonds | - | 978,554 | - | 978,554 | (a) |
| Total | \$ 901,439 | \$ 1,899,042 | \$ - | \$ 2,800,481 | |

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4. FAIR VALUE MEASUREMENTS (CONTINUED)

| | 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 |
|----------------------------------|---|--|---|----------------------------------|------------------------|
| Common stocks: | | | | | |
| Consumer staples | \$ 3,216 | \$ - | \$ - | \$ 3,216 | (a) |
| Financial institution | 1,812 | - | - | 1,812 | |
| Exchange traded fund - growth | 747,484 | - | - | 747,484 | (a) |
| Fixed income securities: | | | | | |
| Israel government bonds | <u>-</u> | <u>56,354</u> | <u>-</u> | <u>56,354</u> | (a) |
| Total | <u>\$ 752,512</u> | <u>\$ 56,354</u> | <u>\$ -</u> | <u>\$ 808,866</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, 2017 and 2016:

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.

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, 2017 and 2016, property and equipment consisted of the following:

| | 2017 | 2016 |
|---------------------------------|------------------|------------------|
| Leasehold improvements | \$ 4,707 | \$ 4,883 |
| Computer equipment and software | 110,796 | 125,419 |
| Furniture and fixtures | <u>25,683</u> | <u>24,312</u> |
| | 141,186 | 154,614 |
| Less: accumulated depreciation | <u>102,219</u> | <u>123,817</u> |
| | <u>\$ 38,967</u> | <u>\$ 30,797</u> |

Depreciation expense amounted to \$5,296 and \$4,261 for the years ended December 31, 2017 and 2016, respectively.

**ISRAEL CANCER RESEARCH FUND, INC.
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NOTE 6. RESEARCH GRANTS PAYABLE

Grants Authorized But Unpaid

Grants of \$1,649,750 and \$1,417,000, authorized but not disbursed as of December 31, 2017 and 2016, respectively, are reported as liabilities in the accompanying statements of financial position.

Conditional Grants

Conditional grant obligations of \$3,150,000 as of December 31, 2017, 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, 2017, are as follows:

| <u>Grant Year</u> | <u>Expected Awards</u> |
|-------------------|------------------------|
| 2018-19 | \$ 1,810,000 |
| 2019-20 | 640,000 |
| 2020-21 | 300,000 |
| 2021-22 | 200,000 |
| 2022-23 | 100,000 |
| Thereafter | <u>100,000</u> |
| | <u>\$ 3,150,000</u> |

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 \$7,536 and \$15,543 in 2017 and 2016, respectively, is recognized in the accompanying statements of activities.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$4,937,585 and \$4,290,490 as of December 31, 2017 and 2016, respectively, are available for subsequent years' grant awards and other program activities. These amounts include \$54,256 and \$50,414 as of December 31, 2017 and 2016, respectively, of appreciation on permanent endowments.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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.

The composition of endowment net assets for these funds and the changes in endowment net assets as of December 31, 2017 and 2016, are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets - | | | | |
| January 1, 2016 | \$ (10,139) | \$ - | \$ 2,549,292 | \$ 2,539,153 |
| Investment income | - | 16,301 | - | 16,301 |
| Unrealized gain | 10,139 | 41,309 | - | 51,448 |
| Appropriated for program expenditures | <u>-</u> | <u>(7,196)</u> | <u>-</u> | <u>(7,196)</u> |
| Endowment net assets - | | | | |
| December 31, 2016 | - | 50,414 | 2,549,292 | 2,599,706 |
| Investment income | 15,983 | 15,138 | - | 31,121 |
| Unrealized gain | <u>134,104</u> | <u>(11,296)</u> | <u>-</u> | <u>122,808</u> |
| Endowment net assets - | | | | |
| December 31, 2017 | <u>\$ 150,087</u> | <u>\$ 54,256</u> | <u>\$ 2,549,292</u> | <u>\$ 2,753,635</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 Panel. 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 10 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.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10. PROGRAMMATIC ACTIVITIES (CONTINUED)

Research (Continued)

- (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.
- (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. The grant for a Mark Initiative Grant is \$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.

ISRAEL CANCER RESEARCH FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10. PROGRAMMATIC ACTIVITIES (CONTINUED)

Research (Continued)

- (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, California, 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.

During 2017, the Organization funded scientists at 13 research institutions in Israel, as well as four 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 2017 and 2016, advertising and public relations costs totaled \$89,648 and \$83,643, respectively.

NOTE 12. EMPLOYEE BENEFIT PLANS

The Organization maintains a 403(b) plan covering all eligible employees. During 2017 and 2016, the Organization made contributions to the plan amounting to \$14,540 and \$14,947, respectively, which are included in "Employee benefits" in the accompanying statements of functional expenses.

ISRAEL CANCER RESEARCH FUND, INC.
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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.

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 February 2024 and include provisions for real estate tax escalations.

Future minimum lease payments for these operating leases at December 31, 2017, are as follows:

| <u>Years Ending December 31:</u> | <u>Amount</u> |
|----------------------------------|---------------------|
| 2018 | \$ 209,365 |
| 2019 | 220,784 |
| 2020 | 208,491 |
| 2021 | 199,165 |
| 2022 | 214,209 |
| Thereafter | <u>258,657</u> |
| | <u>\$ 1,310,671</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 \$228,506 and \$134,147 for the years ended December 31, 2017 and 2016, 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 allow the Organization involvement in the awarding of research grants by the local chapters through its International Board of Trustees and Scientific Review Panel. The Organization awarded \$1,330,000 and \$1,338,500 of grants on behalf of its Canadian and Israeli affiliates in 2017 and 2016, respectively.