

**BAY AREA CANCER CONNECTIONS**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

## BAY AREA CANCER CONNECTIONS

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## Independent Auditors' Report

To the Board of Directors of  
BAY AREA CANCER CONNECTIONS

We have audited the accompanying financial statements of Bay Area Cancer Connections (the "Organization") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

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

TO THE BOARD OF DIRECTORS OF  
BAY AREA CANCER CONNECTIONS

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Seiler LLP".

Redwood City, California  
January 7, 2019

**BAY AREA CANCER CONNECTIONS**  
**Statements of Financial Position**

	June 30,	
	2018	2017
<u>ASSETS</u>		
Current Assets		
Cash	\$ 266,457	\$ 235,689
Pledges and grants receivable	7,622	11,513
Prepaid expenses	31,746	44,166
Total current assets	305,825	291,368
Property and equipment, net	105,487	132,460
Investments	3,187,414	3,236,987
Deposits	63,150	63,150
Total assets	<u>\$ 3,661,876</u>	<u>\$ 3,723,965</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 40,105	\$ 47,486
Accrued expenses	56,605	55,870
Current portion of lease incentive liability	6,713	6,713
Total current liabilities	103,423	110,069
Lease Incentive Liability, less Current Portion	44,204	26,850
Deferred Rent	88,444	85,907
Total liabilities	236,071	222,826
Commitments (Note 12)		
Net Assets		
Unrestricted	3,145,043	3,188,137
Temporarily restricted	280,762	313,002
Total net assets	3,425,805	3,501,139
Total liabilities and net assets	<u>\$ 3,661,876</u>	<u>\$ 3,723,965</u>

See Notes to Financial Statements

**BAY AREA CANCER CONNECTIONS**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 1,131,074	\$ 82,140	\$ 1,213,214
Contributed services	36,225	-	36,225
In-kind donations	70,189	-	70,189
Miscellaneous income	4,645	-	4,645
Total public support	<u>1,242,133</u>	<u>82,140</u>	<u>1,324,273</u>
Special events revenue, net:			
Sponsorships and participants	84,430	-	84,430
Less: direct benefit costs	<u>(44,350)</u>	<u>-</u>	<u>(44,350)</u>
Total special events revenue, net	<u>40,080</u>	<u>-</u>	<u>40,080</u>
Net investment income	270,120	-	270,120
Net assets released from donor restrictions	<u>114,380</u>	<u>(114,380)</u>	<u>-</u>
Total revenue, gains, and other support	<u>1,666,713</u>	<u>(32,240)</u>	<u>1,634,473</u>
<b>EXPENSES</b>			
Program services	1,297,435	-	1,297,435
Management and general	273,456	-	273,456
Fund development	138,916	-	138,916
Total expenses	<u>1,709,807</u>	<u>-</u>	<u>1,709,807</u>
<b>CHANGE IN NET ASSETS</b>	<b>(43,094)</b>	<b>(32,240)</b>	<b>(75,334)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,188,137</b>	<b>313,002</b>	<b>3,501,139</b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 3,145,043</u></b>	<b><u>\$ 280,762</u></b>	<b><u>\$ 3,425,805</u></b>

(continued)

**BAY AREA CANCER CONNECTIONS**  
**Statement of Activities (continued)**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 1,128,988	\$ 212,050	\$ 1,341,038
Contributed services	63,502	-	63,502
In-kind donations	136,830	-	136,830
Miscellaneous income	4,734	-	4,734
Total public support	<u>1,334,054</u>	<u>212,050</u>	<u>1,546,104</u>
Special events revenue, net:			
Sponsorships and participants	112,235	-	112,235
Less: direct benefit costs	<u>(38,163)</u>	<u>-</u>	<u>(38,163)</u>
Total special events revenue, net	<u>74,072</u>	<u>-</u>	<u>74,072</u>
Net investment income	357,895	-	357,895
Net assets released from donor restrictions	<u>91,496</u>	<u>(91,496)</u>	<u>-</u>
Total revenue, gains, and other support	<u>1,857,517</u>	<u>120,554</u>	<u>1,978,071</u>
<b>EXPENSES</b>			
Program services	1,318,144	-	1,318,144
Management and general	247,341	-	247,341
Fund development	<u>127,130</u>	<u>-</u>	<u>127,130</u>
Total expenses	<u>1,692,615</u>	<u>-</u>	<u>1,692,615</u>
CHANGE IN NET ASSETS	164,902	120,554	285,456
NET ASSETS, BEGINNING OF YEAR	<u>3,023,235</u>	<u>192,448</u>	<u>3,215,683</u>
NET ASSETS, END OF YEAR	<u>\$ 3,188,137</u>	<u>\$ 313,002</u>	<u>\$ 3,501,139</u>

See Notes to Financial Statements

**BAY AREA CANCER CONNECTIONS**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2018 and 2017**

	Program Services		Management and General		Fund Development		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Salaries & wages	\$ 469,143	\$ 459,556	\$ 45,455	\$ 57,982	\$ 60,263	\$ 76,860	\$ 574,861	\$ 594,398
Benefits	43,988	36,731	5,073	5,735	6,725	9,305	55,786	51,771
Payroll taxes	39,588	42,160	3,909	3,883	5,182	5,148	48,679	51,191
Total salaries and benefits	552,719	538,447	54,437	67,600	72,170	91,313	679,326	697,360
Early detection program costs (Gabiella Patser)	117,414	103,097	-	-	-	-	117,414	103,097
Rent	282,896	278,207	63,652	64,107	7,072	7,123	353,620	349,437
Support programs	80,191	76,489	-	-	-	-	80,191	76,489
In-kind donations & services	106,414	200,332	-	-	-	-	106,414	200,332
Other professional services	845	-	20,685	-	26,053	4,180	47,583	4,180
Fundraising events	-	-	-	-	13,831	10,514	13,831	10,514
Technology/information	44,092	9,524	9,921	2,143	1,102	238	55,115	11,905
Accounting and legal	-	-	78,788	74,182	-	-	78,788	74,182
Other administrative expenses	-	-	32,873	26,569	3,628	2,952	36,501	29,521
Occupancy expenses	26,486	24,098	5,959	5,422	662	602	33,107	30,122
Supplies	7,467	8,843	-	-	-	-	7,467	8,843
Staff development	6,899	3,219	-	-	-	-	6,899	3,219
Newsletters	13,795	7,401	1,201	1,139	3,002	2,847	17,998	11,387
Telephone	2,291	1,665	515	375	57	42	2,863	2,082
Volunteer expenses	5,178	4,211	-	-	-	-	5,178	4,211
Direct mail solicitation	-	-	-	-	9,378	4,408	9,378	4,408
Client information / education - direct support	4,854	6,516	-	-	-	-	4,854	6,516
Program marketing	10,378	18,642	-	-	-	-	10,378	18,642
Annual report	3,698	6,168	570	949	1,422	2,372	5,690	9,489
Meetings & travel	8,385	6,364	-	-	-	-	8,385	6,364
Library	288	171	-	-	-	-	288	171
End of life support (Karen Swanson Fund)	1,566	2,750	-	-	-	-	1,566	2,750
BCC Cares	-	421	-	-	-	-	-	421
Subtotal before depreciation	1,275,856	1,296,565	268,601	242,486	138,377	126,591	1,682,834	1,665,642
Depreciation	21,579	21,579	4,855	4,855	539	539	26,973	26,973
Total	\$ 1,297,435	\$ 1,318,144	\$ 273,456	\$ 247,341	\$ 138,916	\$ 127,130	\$ 1,709,807	\$ 1,692,615
% of total expenses	76%	77%	16%	15%	8%	8%	100%	100%

See Notes to Financial Statements



**BAY AREA CANCER CONNECTIONS**  
**Statements of Cash Flows**

	For the Years Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (75,334)	\$ 285,456
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	26,973	26,973
Amortization of lease incentive liability	(6,713)	(6,713)
Proceeds from sale of donated securities	4,705	314,277
Noncash contributions	(230,307)	(310,946)
Net realized and unrealized (gain) loss on investments	(215,792)	(303,660)
(Increase) decrease in assets:		
Pledges and grants receivable	3,891	(11,513)
Prepaid expenses	12,420	(15,226)
Deposits	-	490
Increase (decrease) in liabilities:		
Accounts payable	(7,381)	(3,666)
Accrued expenses	735	(23,328)
Deferred rent	2,537	11,559
Lease incentive liability	24,067	-
Net cash used in operating activities	<u>(460,199)</u>	<u>(36,297)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	550,233	-
Purchase of investments	<u>(59,266)</u>	<u>(118,491)</u>
Net cash provided by (used in) investing activities	<u>490,967</u>	<u>(118,491)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	30,768	(154,788)
<b>CASH, BEGINNING OF YEAR</b>	<u>235,689</u>	<u>390,477</u>
<b>CASH, END OF YEAR</b>	<u>\$ 266,457</u>	<u>\$ 235,689</u>

See Notes to Financial Statements

## **BAY AREA CANCER CONNECTIONS**

### **Notes to Financial Statements**

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#### **1. NATURE OF ACTIVITIES**

Bay Area Cancer Connections (the "Organization") supports people touched by breast and ovarian cancer by providing comprehensive, personalized services in an atmosphere of warmth and compassion, free of charge. The Organization serves over 2,000 clients on an annual basis. Services offered include emotional, informational and practical help, such as personalized research, a library, educational events, medical appointment preparation, and new pilot programs as needed. The Organization is a nonprofit voluntary health and welfare organization, incorporated in 1995, and located in Palo Alto, California. The Organization's programs are supported primarily through contributions and grants from individuals, corporations, and other nonprofit organizations.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Accounting:***

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

##### ***Basis of Presentation:***

The Organization's financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

*Unrestricted net assets* represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which became available for use by the Organization in accordance with the intentions of donors.

*Temporarily restricted net assets* represent contributions that are limited in use by the Organization in accordance with temporary donor imposed stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of the Organization according to the terms of the contribution. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

*Permanently restricted net assets* represent contributions to be held as investments in perpetuity as directed by the original donor. The Organization has no permanently restricted net assets.

## BAY AREA CANCER CONNECTIONS

### Notes to Financial Statements

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Use of Estimates:*

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

##### *Contributions:*

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recorded at their net realizable value. If such promises are due in more than one year, they are discounted to the present value of their estimated future cash flows at risk-free rates with maturity dates similar to the expected collection period. Conditional promises to give are not included as revenue until the conditions are substantially met.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2018 and 2017, there were no allowances provided.

##### *Fiscal Agency Contributions:*

Certain contributions are received by the Organization as a fiscal agent. A fiscal agent is an entity that accepts assets from a donor and agrees to use those assets on behalf of or transfer those assets to a specified beneficiary. The Organization recognizes a liability payable to the specified beneficiary concurrent with its recognition of cash or other financial assets received from the donor. The liability is relieved upon transfer of assets or use on behalf of the donor. No contribution revenue or grant expense is recognized for these transactions.

For the years ended June 30, 2018, the Organization received fiscal agency contributions totaling \$27,533. These funds were paid to Latino Cancer Institute, the specified beneficiary, during fiscal year 2018.

## BAY AREA CANCER CONNECTIONS

### Notes to Financial Statements

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### ***Special Events:***

Gross receipts from sponsorships and participants are offset by the associated direct benefit costs to obtain the net revenues raised by special fundraising events. The remaining costs of the special events are shown as fundraising events expenses in the statement of functional expenses when the events occur. There were two events held during the years ended June 30, 2018 and 2017.

##### ***Investments:***

Investments in marketable debt and equity securities with readily determinable fair values are carried at fair value based on quoted market prices. Investment sales and purchases are recorded on a trade-date basis. Interest income is recognized as earned on the accrual basis and dividend income is recognized as of the ex-dividend date. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statement of activities in the period such fluctuations occur.

The Organization follows the U.S. GAAP framework for fair value measurements. Investments measured at fair value are classified in one of the following fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety:

- |         |   |
|---------|---|
| Level 1 | Quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities, without adjustment.  |
| Level 2 | Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets of similar assets or liabilities, and inputs other than quoted prices that are observable or can be corroborated by observable market data. |
| Level 3 | Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by market data.   |

##### ***Property and Equipment:***

Property and equipment are recorded at cost when purchased or at its estimated fair market value when donated. Such donations are reported as unrestricted support unless the donor has restricted the assets to a specific purpose. The Organization uses a threshold of \$1,000 for capitalizing property and equipment. Property and equipment is depreciated using the straight line method over the estimated useful lives ranging from three to five years. Leasehold improvements are depreciated using the straight line method over the shorter of the estimated useful life or the lease term.

## **BAY AREA CANCER CONNECTIONS**

### **Notes to Financial Statements**

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#### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***Contributed Services:***

The Organization benefits from services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising campaigns. Contributed services, which require specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered. The Organization recognized \$36,225 and \$63,502 of contributed services for the years ended June 30, 2018 and 2017, respectively, for professional services provided by doctors, therapists, nurses, lawyers, and other professionals. In addition, members of the community contributed their services to the Organization performing various other tasks, which did not meet the requirements for recognition in the financial statements.

##### ***In-Kind Donations:***

Donated property, facilities and other non-cash donations are recorded as contributions at the fair value of the gift at the date of the donation. In-kind donations recognized by the Organization for the years ended June 30, 2018 and 2017 were \$70,189 and \$136,830, respectively.

##### ***Functional Allocation of Expenses:***

The cost of providing programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on management estimates.

Percentage of total expenses in the statements of functional expenses was calculated by dividing program services, management and general, and fundraising expenses by the total expenses for the period.

##### ***Income Taxes:***

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and similar state provisions, except on net income derived from unrelated business activities. The Organization has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

## BAY AREA CANCER CONNECTIONS

### Notes to Financial Statements

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Income Taxes:* (continued)

U.S. GAAP requires the Organization to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the applicable tax authority. The Organization has reviewed its tax positions for all open tax years and believes that it has appropriate support for the tax positions taken. Therefore, no liability has been recorded.

##### *Revenue Recognition:*

Contributions are recognized as revenue when they are received or unconditionally promised. Other income is recognized as revenue when it is earned. Special event revenue is recognized when the event is held. Goods and services donated for the special events are recognized as in-kind revenue and expense at their estimated fair value on the date donated.

##### *Recent Accounting Pronouncements:*

In January 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU No. 2016-02"). Under the new guidance in ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged, however, certain targeted improvements were made. ASU No. 2016-02 also simplifies the accounting for sale and leaseback transactions. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Lessees and lessors may not apply a full retrospective transition approach. ASU No. 2016-02 is effective for the Organization's annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Organization is currently evaluating the impact that ASU No. 2016-02 may have on its financial position or results of operations.

## BAY AREA CANCER CONNECTIONS

### Notes to Financial Statements

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Recent Accounting Pronouncements:* (continued)

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958) ("ASU No. 2016-14"). The amendments in ASU No. 2016-14 require Not-for-Profit Entities to present on the face of the statement of financial position amounts for two classes of net assets, net assets with donor restrictions and net assets without donor restrictions. ASU No. 2016-14 requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments will also require entities to disclose, among other things, amounts of expenses by both their natural classification and their functional classification and the method(s) used to allocate costs among program and support functions. ASU No. 2016-14 also requires entities to report investment return net of external and direct internal investment expenses but no longer requires disclosure of those netted expenses. ASU No. 2016-14 is effective for the Organization's year ending June 30, 2019, with early adoption permitted. The Organization is currently evaluating the impact that ASU No. 2016-14 may have on its financial position and results of operations.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the Organization's year ending December 31, 2019, with early adoption permitted. The Organization is currently evaluating the impact that ASU No. 2018-08 may have on its financial position or results of operations.

## BAY AREA CANCER CONNECTIONS

### Notes to Financial Statements

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#### 3. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash and investments in accounts at financial institutions which, at times, may exceed federally insured limits. The deposits at these financial institutions bear the credit risk associated with institutions. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions from substantial contributors represented approximately 28% and 24% of total contributions during the years ended June 30, 2018 and 2017.

#### 4. PLEDGES AND GRANTS RECEIVABLE

There were no outstanding grants receivable as of June 30, 2018. As of June 30, 2017, receivables consisted of \$7,622 of unrestricted pledges.

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Office equipment	\$ 36,811	\$ 36,811
Furniture	42,799	42,799
Library assets	7,185	7,185
Leasehold improvements	192,528	192,528
	279,323	279,323
Less: accumulated depreciation	173,836	146,863
Total	<u>\$ 105,487</u>	<u>\$ 132,460</u>

Depreciation of property and equipment for the years ended June 30, 2018 and 2017 was \$26,973 and \$26,973, respectively.



**BAY AREA CANCER CONNECTIONS**  
**Notes to Financial Statements**

**6. INVESTMENTS**

Investments as of June 30, 2018 and 2017 are as follows:

2018	Total Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds:			
Equity funds	\$ 1,045,460	\$ 1,659,183	\$ 613,723
Bond funds	711,440	690,642	(20,798)
Exchange traded funds	484,409	781,534	297,125
Money market funds	56,055	56,055	-
	<u>\$ 2,297,364</u>	<u>\$ 3,187,414</u>	<u>\$ 890,050</u>
2017	Total Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds:			
Equity funds	\$ 1,120,910	\$ 1,682,307	\$ 561,397
Bond funds	898,886	893,912	(4,974)
Exchange traded funds	300,448	608,875	308,427
Money market funds	51,893	51,893	-
	<u>\$ 2,372,137</u>	<u>\$ 3,236,987</u>	<u>\$ 864,850</u>

Investment income consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Dividends	\$ 54,328	\$ 54,235
Net realized gain on investments	190,592	8,070
Net unrealized gain (loss) on investments	25,200	295,590
	<u>\$ 270,120</u>	<u>\$ 357,895</u>

Investments in securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization's investments and net asset balance could fluctuate materially.

**BAY AREA CANCER CONNECTIONS**  
**Notes to Financial Statements**

**7. FAIR VALUE MEASUREMENT OF INVESTMENTS**

The Organization's investments recorded at fair value have been categorized based upon a fair value hierarchy established by U.S. GAAP. See Note 2 for a discussion of the Organization's policy regarding this hierarchy. The following fair value hierarchy tables present information about the Organization's investments measured at fair value as of June 30, 2018 and 2017:

Description	2018	Level 1	Level 2	Level 3
Mutual funds:				
Equity funds	\$ 1,659,183	\$ 1,659,183	\$ -	\$ -
Bond funds	690,642	690,642	-	-
Exchange traded funds	781,534	781,534	-	-
Money market funds	56,055	56,055	-	-
	<u>\$ 3,187,414</u>	<u>\$ 3,187,414</u>	<u>\$ -</u>	<u>\$ -</u>

Description	2017	Level 1	Level 2	Level 3
Mutual funds:				
Equity funds	\$ 1,682,307	\$ 1,682,307	\$ -	\$ -
Bond funds	893,912	893,912	-	-
Exchange traded funds	608,875	608,875	-	-
Money market funds	51,893	51,893	-	-
	<u>\$ 3,236,987</u>	<u>\$ 3,236,987</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization recognizes any transfers between levels in the fair value hierarchy at the end of the reporting period. During the years ended June 30, 2018 and 2017, there were no significant transfers within the fair value hierarchy.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2018 and 2017.

*Mutual funds and money market funds* - Valued at the closing price reported on the active market on which the individual securities are traded.

*Exchange traded funds* - Valued at the closing price reported on the active market on which the individual funds are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes 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.

**BAY AREA CANCER CONNECTIONS**  
**Notes to Financial Statements**

**8. TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2018, temporarily restricted net assets consist of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Medical information services	\$ 36,127	\$ -	\$ 5,658	\$ 30,469
Client support	120,058	46,000	42,789	123,269
Gabriella Patser program	12,036	25,140	36,576	600
Strategic planning	150	-	150	-
Ovarian cancer support	96,231	10,000	8,237	97,994
Programs that support breast and ovarian cancer	47,151	-	20,893	26,258
Early detection	59	-	59	-
Lynch library	1,190	1,000	18	2,172
	<u>\$ 313,002</u>	<u>\$ 82,140</u>	<u>\$ 114,380</u>	<u>\$ 280,762</u>

At June 30, 2017, temporarily restricted net assets consist of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Medical information services	\$ 28,202	\$ 15,000	\$ 7,075	\$ 36,127
Client support	112,864	10,700	3,506	120,058
Gabriella Patser program	-	80,250	68,214	12,036
Strategic planning	150	-	-	150
Ovarian cancer support	50,357	50,000	4,126	96,231
Programs that support breast and ovarian cancer	-	50,000	2,849	47,151
Early detection	-	5,100	5,041	59
Lynch library	875	1,000	685	1,190
	<u>\$ 192,448</u>	<u>\$ 212,050</u>	<u>\$ 91,496</u>	<u>\$ 313,002</u>

**9. SPECIAL EVENTS**

The annual fundraising events for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Sponsorships and participants	\$ 84,430	\$ 112,235
Less: direct benefit costs	(44,350)	(38,163)
Total special events revenue	40,080	74,072
Less: events expenses reported in the statement of functional expenses	(13,831)	(10,513)
Net events income	<u>\$ 26,249</u>	<u>\$ 63,559</u>

**BAY AREA CANCER CONNECTIONS**  
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**10. ALLOCATION OF JOINT COSTS**

The Organization achieves some of its programmatic goals in an informative newsletter that also includes requests for contributions. In addition, the Organization produces an annual report that also includes requests for donations. For the years ended June 30, 2018 and 2017, total costs of producing the newsletters and annual reports were \$17,698 and \$20,876, respectively. These costs were allocated as follows: 65% to program, 10% to management and general and 25% to fundraising based on informational content.

**11. DEFINED CONTRIBUTION RETIREMENT PLAN**

The Organization sponsors a defined contribution retirement plan that qualifies under IRS Code 403(b). The plan covers all employees who are 21 or older and have completed one year of employment. Contributions are determined to be three percent of each employee's annual salary, which totaled \$11,560 and \$15,353 for the years ended June 30, 2018 and 2017, respectively.

**12. LEASE COMMITMENTS**

The Organization leases office space in Palo Alto, California under a non-cancelable operating lease agreement that expires on June 30, 2022. The lease agreement calls for escalating rent increases. The Organization is recognizing rent expense on a straight-line basis.

As part of the lease agreement, the landlord agreed to pay \$53,700 for certain tenant improvements. The Organization recorded a deferred lease incentive liability for this amount. The deferred lease incentive liability will be reduced ratably as a credit to rent expense over the life of the lease. During each of the years ended June 30, 2018 and June 30, 2017, \$6,713 was credited and offset against rent expense, respectively.

The Organization also leases certain office equipment under a non-cancelable operating lease agreement that expires in February 2023.

Minimum future lease commitments for the next five years and thereafter are as follows:

<u>June 30,</u>	<u>Amount</u>
2019	335,051
2020	344,717
2021	355,027
2022	365,338
2023	8,340
Thereafter	-
	<u>\$ 1,408,473</u>

**BAY AREA CANCER CONNECTIONS**  
**Notes to Financial Statements**

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**13. SUBSEQUENT EVENTS**

Management has reviewed subsequent events and transactions that occurred after the statement of financial position date through January 7, 2019, the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with U.S. GAAP. Management has determined that there are no unrecognized subsequent events that require disclosure.