

**FRIENDS OF SHEBA MEDICAL CENTER, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Friends of Sheba Medical Center, Inc.  
Beverly Hills, California

We have audited the accompanying financial statements of Friends of Sheba Medical Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

INDEPENDENT AUDITORS' REPORT (CONT.)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Sheba Medical Center, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

The 2016 financial statements were audited by NSBN LLP, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2018, and whose report dated November 10, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Los Angeles, California  
November 8, 2018

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017  
WITH COMPARATIVE TOTALS AT DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 399,729	\$ 232,530
Investments	52,998	43,828
Pledge receivable	450,620	470,941
Prepays and deposits	<u>35,200</u>	<u>22,700</u>
TOTAL CURRENT ASSETS	938,547	769,999
Fixed assets, net	<u>905</u>	<u>1,535</u>
TOTAL ASSETS	<u>\$ 939,452</u>	<u>\$ 771,534</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ <u>81,617</u>	\$ <u>42,488</u>
TOTAL CURRENT LIABILITIES	81,617	42,488
NET ASSETS		
Unrestricted	53,945	473,785
Temporarily restricted	<u>803,890</u>	<u>255,261</u>
TOTAL NET ASSETS	<u>857,835</u>	<u>729,046</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 939,452</u>	<u>\$ 771,534</u>

See accompanying auditors' report.  
The notes are an integral part of these financial statements.

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ -	\$ 1,824,346	\$ 1,824,346	\$ 703,660
Special events (net of expenses of \$556,344)	833,727	779,405	1,613,132	822,452
Interest and other income	333	-	333	448
Loss on sale of assets	-	-	-	(237)
Net assets released from restrictions:				
Satisfaction of purpose	<u>2,055,122</u>	<u>(2,055,122)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND PUBLIC SUPPORT	 <u>2,889,182</u>	 <u>548,629</u>	 <u>3,437,811</u>	 <u>1,526,323</u>
 EXPENSES				
Program services	2,681,985	-	2,681,985	965,227
General and administrative	235,289	-	235,289	181,422
Fundraising	<u>391,748</u>	<u>-</u>	<u>391,748</u>	<u>304,760</u>
 TOTAL EXPENSES	 <u>3,309,022</u>	 <u>-</u>	 <u>3,309,022</u>	 <u>1,451,409</u>
 CHANGE IN NET ASSETS	 (419,840)	 548,629	 128,789	 74,914
 NET ASSETS AT BEGINNING OF YEAR	 <u>473,785</u>	 <u>255,261</u>	 <u>729,046</u>	 <u>654,132</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 53,945</u>	 <u>\$ 803,890</u>	 <u>\$ 857,835</u>	 <u>\$ 729,046</u>

See accompanying auditors' report.  
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FRIENDS OF SHEBA MEDICAL CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services		2017	2016
		General and Administrative	Fundraising		
Salaries	\$ 86,977	\$ 116,762	\$ 233,664	\$ 437,403	\$ 343,652
Payroll Taxes	6,347	8,458	17,119	31,924	23,593
Benefits	2,662	3,547	7,179	13,388	9,274
Total personnel costs	<u>95,986</u>	<u>128,767</u>	<u>257,962</u>	<u>482,715</u>	<u>376,519</u>
Grants	2,546,288	-	-	2,546,288	854,224
Occupancy	17,624	23,485	47,532	88,641	68,619
Office expenses	3,630	4,838	9,791	18,259	15,965
Insurance	6,792	9,050	18,318	34,160	33,322
Travel	6,472	8,623	17,453	32,548	22,706
Professional Services	-	28,104	-	28,104	22,529
Bank charges	-	-	26,688	26,688	16,856
Outside contract labor	-	24,873	-	24,873	14,958
Information technology	2,714	3,616	7,318	13,648	12,029
Advertising and marketing	<u>2,479</u>	<u>3,303</u>	<u>6,686</u>	<u>12,468</u>	<u>11,597</u>
Expenses before depreciation	2,681,985	234,659	391,748	3,308,392	1,449,324
Depreciation	<u>-</u>	<u>630</u>	<u>-</u>	<u>630</u>	<u>2,085</u>
Total expenses	<u>\$ 2,681,985</u>	<u>\$ 235,289</u>	<u>\$ 391,748</u>	<u>\$ 3,309,022</u>	<u>1,451,409</u>

See accompanying auditors' report.  
The notes are an integral part of these financial statements.

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 128,789	\$ 74,914
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	630	2,085
(Increase) decrease in assets:		
Investments	(9,170)	4,134
Deposits	(12,500)	(9,500)
Pledges receivable	20,321	(35,813)
(Increase) decrease in liabilities:		
Accounts payable	<u>39,129</u>	<u>(4,974)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>167,199</u>	<u>30,846</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>-</u>	<u>(3,065)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>-</u>	<u>(3,065)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	167,199	27,781
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>232,530</u>	<u>204,749</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 399,729</u>	<u>\$ 232,530</u>

See accompanying auditors' report.  
The notes are an integral part of these financial statements.



FRIENDS OF SHEBA MEDICAL CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1 ORGANIZATION

Friends of Sheba Medical Center, Inc. (FSMC) is a nonprofit organization based in Los Angeles, California. Sheba Medical Center at Tel HaShomer is the largest hospital in Israel and the entire Middle East. FSMC is dedicated to raising awareness and philanthropic support for Sheba Medical Center's compassionate clinical care, cutting edge research and comprehensive educational training.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-

The financial statements of FSMC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation-

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These standards require that FSMC report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted -

The unrestricted class is the portion of the net assets of FSMC that are not subject to donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of FSMC and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Temporarily Restricted-

The temporarily restricted class is the portion of the net assets of FSMC resulting from contributions and other inflows of assets whose use by FSMC is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of FSMC pursuant to those stipulations. The majority of contributions with restrictions are stipulated to be contributed to the Sheba Medical Center at Tel HaShomer. Temporarily restricted net assets at December 31, 2017 was \$803,890.

Permanently Restricted-

The permanently restricted class is the portion used to record resources received that are permanently restricted as to use by the donor or grantor. FSMC has no permanently restricted net assets at December 31, 2017.

Accounts Receivable-

Accounts receivable are expected to be collected in full by FSMC's management. Therefore, no allowance for doubtful accounts has been established.

Advertising-

Advertising costs are charged to operations when incurred and are included in functional expenses.

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and Cash Equivalents-

For the purposes of the financial statement, FSMC considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Contributions-

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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.

Donated Services and Materials-

FSMC recognizes as support only those donated services which create or enhance non-financial assets or which require specialized skills which FSMC would otherwise have paid for. Donated materials are recognized as contributions at their fair values at the date of donation. No amounts have been reflected in the financial statements for donated services or materials as of December 31, 2017.

Functional Allocation of Expenses-

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated between programs and supporting services in reasonable ratios determined by management.

Property and Equipment-

Property and equipment are recorded at historical cost and are being depreciated using the straight-line method over the estimated useful life of the assets. The following lives have been assigned:

Computers and equipment	5 years
Furniture	5 years

Expenditures for maintenance, repairs, and renewals of minor items are charged to expense as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Tax Status-

FSMC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

FSMC files IRS Form 990 and State Forms 199 and RRF-1. Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. FSMC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of FSMC does not believe the financial statements include any uncertain tax positions. With few exceptions, FSMC is no longer subject to U.S. federal and state examinations by tax authorities for the years before 2014 and 2013, respectively.

Use of Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures 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.

Subsequent Events-

Management has evaluated subsequent events through November 8, 2018, the date the financial statements were available to be issued.

Note 3 GRANTS AND PLEDGES RECEIVABLE

Promises to give are included in the financial statements as grants and pledges receivable and revenue of the appropriate net asset category. Grants and pledges receivable are deemed to be fully collectible. Accordingly, no allowance was established.

Receivable in less than one year	\$	227,287
Receivable in one year to five years		223,333
Total grants and pledges receivable	\$	450,620

FSMC has not recorded a discount on contributions to be received beyond one year. The discount was not material to the financial statements.

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 4      FIXED ASSETS

Fixed assets consist of the following:

Furniture and fixtures	\$	17,833
Other depreciable property		<u>8,093</u>
		25,926
Less: Accumulated depreciation		<u>(25,021)</u>
Total fixed assets, net	\$	<u><u>905</u></u>

Note 5      INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments as of December 31, 2017 are as follows:

Equities	\$	10,898
Fixed income		<u>42,100</u>
Total investments	\$	<u><u>52,998</u></u>

Generally accepted accounting principles establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

	<u>Fair Value</u>		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>		<u>Other Significant Observable Inputs (Level 2)</u>		<u>Significant Unobservable Inputs (Level 3)</u>
Equities	\$ 10,898	\$	10,898	\$	-	\$	-
Fixed income	<u>42,100</u>		<u>-</u>		<u>42,100</u>		<u>-</u>
	<u><u>\$ 52,998</u></u>	<u>\$</u>	<u><u>10,898</u></u>	<u>\$</u>	<u><u>42,100</u></u>	<u>\$</u>	<u><u>-</u></u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

FRIENDS OF SHEBA MEDICAL CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 6      TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$803,890 at December 31, 2017 consist of donor restricted projects designated for Sheba Medical Center.

Note 7      OPERATING LEASES

FSMC rents various office space under month-to-month lease agreements. Rent expense paid under these agreements for the year ended December 31, 2017 was \$88,641.

Note 8      CASH IN BANK - CONCENTRATION OF CREDIT RISK

FSMC maintains its cash and cash equivalents at a bank which may, at times, exceed federally insured limits. FSMC has not experienced any losses in such accounts and believes that the solvency of the relevant financial institution is not of particular concern.

Note 9      RETIREMENT PLAN

FSMC maintains a 401(k) plan for the benefit of all eligible employees. The plan contributes 4% of the eligible employees salary, with no employee contribution required. For the year ended December 31, 2017, total retirement plan expense was \$13,388.



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.