

FRIENDS OF SHEBA MEDICAL CENTER, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018



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**FRIENDS OF SHEBA MEDICAL CENTER, INC.
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YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2018, 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 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.

Board of Directors
Friends of Sheba Medical Center, Inc.

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, 2018, 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 summarized comparative information has been derived from Friends of Sheba Medical Center, Inc.'s 2017 financial statements and in our report dated November 8, 2018, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Los Angeles, California
December 11, 2019

FRIENDS OF SHEBA MEDICAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AT 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 796,181	\$ 399,729
Investments	50,600	52,998
Pledges Receivable	585,950	227,287
Prepays and Deposits	49,279	35,200
Total Current Assets	1,482,010	715,214
NONCURRENT ASSETS		
Pledges Receivable, Long Term Portion	300,000	223,333
FIXED ASSET, NET	1,537	905
Total Assets	\$ 1,783,547	\$ 939,452
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 51,747	\$ 81,617
Total Current Liabilities	51,747	81,617
NET ASSETS		
Without Donor Restrictions:		
Undesignated	730,361	53,040
Investment in Property and Equipment	1,537	905
Total Without Donor Restrictions	731,898	53,945
With Donor Restrictions:		
Purpose Restrictions	999,902	803,890
Total With Donor Restrictions	999,902	803,890
Total Net Assets	1,731,800	857,835
Total Liabilities and Net Assets	\$ 1,783,547	\$ 939,452

See accompanying Notes to Financial Statements.

FRIENDS OF SHEBA MEDICAL CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AT 2017)

	Without Donor Restrictions	With Donor Restrictions	2018	2017
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ 570,974	\$ 1,871,369	\$ 2,442,343	\$ 1,824,346
Special Events	1,490,675	-	1,490,675	2,169,476
Less: Cost of Direct Benefit to Donors	(478,691)		(478,691)	(556,344)
Interest and Other Income	1,330	-	1,330	333
Net Assets Released from Restrictions:				
Satisfaction of Purpose	1,675,357	(1,675,357)	-	-
Total Revenue and Public Support	<u>3,259,645</u>	<u>196,012</u>	<u>3,455,657</u>	<u>3,437,811</u>
EXPENSES				
Program Services	1,958,545	-	1,958,545	2,681,985
General and Administrative	216,233	-	216,233	235,289
Fundraising	406,914	-	406,914	391,748
Total Expenses	<u>2,581,692</u>	<u>-</u>	<u>2,581,692</u>	<u>3,309,022</u>
CHANGE IN NET ASSETS	677,953	196,012	873,965	128,789
Net Assets - Beginning of Year	<u>53,945</u>	<u>803,890</u>	<u>857,835</u>	<u>729,046</u>
NET ASSETS - END OF YEAR	<u>\$ 731,898</u>	<u>\$ 999,902</u>	<u>\$ 1,731,800</u>	<u>\$ 857,835</u>

See accompanying Notes to Financial Statements.

FRIENDS OF SHEBA MEDICAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AT 2017)

	Program Services	Supporting Services		Direct Donor Benefits	2018	2017
		General and Administrative	Fundraising			
Salaries	\$ 86,894	\$ 108,617	\$ 238,958	\$ -	\$ 434,469	\$ 437,403
Payroll Taxes	6,824	8,530	18,765	-	34,119	31,924
Benefits	13,083	16,355	35,980	-	65,418	13,388
Total Personnel Costs	106,801	133,502	293,703	-	534,006	482,715
Grants	1,815,736	-	-	-	1,815,736	2,546,288
Special Event - Direct Donor Benefits	-	-	-	478,691	478,691	556,344
Occupancy	16,016	20,020	44,044	-	80,080	88,641
Office Expenses	8,841	11,052	24,313	-	44,206	18,259
Professional Services	-	32,535	-	-	32,535	28,104
Travel	3,960	4,950	10,891	-	19,801	32,548
Bank Charges	-	185	16,711	-	16,896	26,688
Information Technology	2,696	5,393	6,858	-	14,947	13,648
Insurance	1,876	2,344	5,157	-	9,377	34,160
Marketing	1,409	2,817	2,817	-	7,043	12,468
Outside Contract Labor	1,210	2,421	2,420	-	6,051	24,873
Depreciation	-	1,014	-	-	1,014	630
Total	1,958,545	216,233	406,914	478,691	3,060,383	3,865,366
Less: Expenses Netted Against Revenues on the Statement of Activities: Special Event - Direct Donor Benefits	-	-	-	(478,691)	(478,691)	(556,344)
Total Expenses	<u>\$ 1,958,545</u>	<u>\$ 216,233</u>	<u>\$ 406,914</u>	<u>\$ -</u>	<u>\$ 2,581,692</u>	<u>\$ 3,309,022</u>

See accompanying Notes to Financial Statements.

FRIENDS OF SHEBA MEDICAL CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AT 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 873,965	\$ 128,789
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	(478,691)	630
(Increase) Decrease in Assets:		
Deposits	(14,079)	(12,500)
Pledges Receivable	(435,330)	20,321
(Increase) Decrease in Liabilities:		
Accounts Payable	(29,870)	39,129
Net Cash Provided (Used) by Operating Activities	(84,005)	176,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(1,646)	-
Sales of Investments	10,898	5,228
Purchases of Investments	(8,500)	(14,398)
Net Cash Provided (Used) by Investing Activities	752	(9,170)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(83,253)	167,199
Cash and Cash Equivalents - Beginning of Year	399,729	232,530
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 316,476	\$ 399,729

See accompanying Notes to Financial Statements.

**FRIENDS OF SHEBA MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Pledges Receivable

Pledges 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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions.

Donated Services and Materials

FSMC recognizes as support only those donated services which create or enhance nonfinancial 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, 2018.

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, salaries, occupancy, office expenses, travel and information technology have been allocated between programs and supporting services based upon time and effort.

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 issued.

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, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Internal Revenue Service 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.

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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. FSMC has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Subsequent Events

Management has evaluated subsequent events through December 11, 2019, the date the financial statements were available to be issued.

FRIENDS OF SHEBA MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 382,229
Investments	50,600
Total	<u>\$ 432,829</u>

As part of a liquidity management plan, FSMC invest cash in excess of daily requirements in short-term investments, CDs, and money market funds

NOTE 3 PLEDGES RECEIVABLE

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

Receivable in Less than One Year	\$ 585,950
Receivable in One Year to Five Years	300,000
Total Pledges Receivable	<u>\$ 885,950</u>

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

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at December 31, 2018:

Furniture and Fixtures	\$ 17,833
Other Depreciable Property	9,739
Total Fixed Assets	<u>27,572</u>
Less: Accumulated Depreciation	<u>(26,035)</u>
Fixed Assets, Net	<u>\$ 1,537</u>

FRIENDS OF SHEBA MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are as follows as of December 31, 2018:

Fixed Income	<u>\$ 50,600</u>
Total Investments	<u><u>\$ 50,600</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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income	<u>\$ 50,600</u>	<u>\$ -</u>	<u>\$ 50,600</u>	<u>\$ -</u>
Total	<u><u>\$ 50,600</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,600</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.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$999,902 at December 31, 2018 consist of donor restricted research 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, 2018 was \$80,080.

FRIENDS OF SHEBA MEDICAL CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, total retirement plan expense was \$15,327.

