

# LUNG CANCER FOUNDATION OF AMERICA

## FINANCIAL STATEMENTS

December 31, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Lung Cancer Foundation of America

We have audited the accompanying financial statements of Lung Cancer Foundation of America, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

### ***Auditors' 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 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 auditors consider 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 Lung Cancer Foundation of America as of December 31, 2019 and 2018, 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.

*Emphasis of Matter*

As discussed in Note 1, during the year ended December 31, 2019, Lung Cancer Foundation of America adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, and Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for contributions Received and Contributions Made, using the modified retrospective approach. Our opinion is not modified with respect to these matters.

*Winder, Inc.*

Long Beach, California  
May 12, 2020

**LUNG CANCER FOUNDATION OF AMERICA**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 731,245	\$ 776,754
Certificate of deposit	51,245	50,282
Pledges receivable, net	<u>535,460</u>	<u>489,723</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,317,950</u>	<u>\$ 1,316,759</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 23,438	\$ 16,750
Grants payable	<u>725,000</u>	<u>425,000</u>
	<u>748,438</u>	<u>441,750</u>
<b>CONTINGENCIES (Note 6)</b>		
<b>NET ASSETS</b>		
Without donor restrictions	295,162	409,809
With donor restrictions	<u>274,350</u>	<u>465,200</u>
	<u>569,512</u>	<u>875,009</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,317,950</u>	<u>\$ 1,316,759</u>

The accompanying notes are an integral part of these financial statements.

**LUNG CANCER FOUNDATION OF AMERICA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 695,656	\$ 295,600	\$ 991,256
Special events, net of direct expenses of \$9,907 - 2019	5,633	-	5,633
Interest and investment income	6,576	-	6,576
Net assets released from restrictions	<u>486,450</u>	<u>(486,450)</u>	<u>-</u>
Total Support and Revenue	<u>1,194,315</u>	<u>(190,850)</u>	<u>1,003,465</u>
<b>EXPENSES</b>			
Program services	1,116,019	-	1,116,019
General and administrative	65,734	-	65,734
Fund-raising	<u>127,209</u>	<u>-</u>	<u>127,209</u>
Total Expenses	<u>1,308,962</u>	<u>-</u>	<u>1,308,962</u>
<b>CHANGE IN NET ASSETS</b>	(114,647)	(190,850)	(305,497)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>409,809</u>	<u>465,200</u>	<u>875,009</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 295,162</u>	<u>\$ 274,350</u>	<u>\$ 569,512</u>

The accompanying notes are an integral part of these financial statements.

**LUNG CANCER FOUNDATION OF AMERICA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 807,749	\$ 521,200	\$ 1,328,949
Special events, net of direct expenses of \$12,102 - 2018	22,171	-	22,171
Interest and investment income	2,117	-	2,117
Net assets released from restrictions	<u>262,000</u>	<u>(262,000)</u>	<u>-</u>
Total Support and Revenue	<u>1,094,037</u>	<u>259,200</u>	<u>1,353,237</u>
<b>EXPENSES</b>			
Program services	931,547	-	931,547
General and administrative	58,320	-	58,320
Fund-raising	<u>95,842</u>	<u>-</u>	<u>95,842</u>
Total Expenses	<u>1,085,709</u>	<u>-</u>	<u>1,085,709</u>
<b>CHANGE IN NET ASSETS</b>	8,328	259,200	267,528
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>401,481</u>	<u>206,000</u>	<u>607,481</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 409,809</u>	<u>\$ 465,200</u>	<u>\$ 875,009</u>

The accompanying notes are an integral part of these financial statements.

**LUNG CANCER FOUNDATION OF AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Grants	\$ 600,000	\$ -	\$ -	\$ 600,000
Salaries	138,062	21,240	53,101	212,403
Employee benefits	25,608	3,940	9,849	39,397
Payroll taxes	10,100	1,554	3,885	15,539
Fundraising fees	-	-	8,215	8,215
Accounting fees	-	23,683	-	23,683
Professional fees	253,891	3,139	31,795	288,825
Postage	401	255	512	1,168
Printing & copying	5,151	43	1,981	7,175
Books, subscriptions, reference	1,794	250	459	2,503
Rent	1,425	244	409	2,078
Travel	29,549	-	-	29,549
Conference, convention, meeting	41,015	-	5,457	46,472
Insurance	8,107	-	-	8,107
Credit card fees	-	-	5,236	5,236
State filing fees	-	5,175	-	5,175
Other expenses	916	6,211	6,310	13,437
	<u>916</u>	<u>6,211</u>	<u>6,310</u>	<u>13,437</u>
 Total	 <u>\$ 1,116,019</u>	 <u>\$ 65,734</u>	 <u>\$ 127,209</u>	 <u>\$ 1,308,962</u>

The accompanying notes are an integral part of these financial statements.



**LUNG CANCER FOUNDATION OF AMERICA**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>
Grants	\$ 400,146	\$ 500	\$ -	\$ 400,646
Salaries	139,831	21,511	53,781	215,123
Employee benefits	25,357	3,901	9,753	39,011
Payroll taxes	9,282	1,428	3,570	14,280
Fundraising fees	-	-	1,925	1,925
Accounting fees	-	15,750	-	15,750
Professional fees	256,941	-	11,866	268,807
Supplies	-	178	1,225	1,403
Postage	-	1,091	20	1,111
Mailing services	-	-	54	54
Printing & copying	-	153	5,990	6,143
Books, subscriptions, reference	-	6,044	966	7,010
Web/Internet/Hosting Fees	-	1,191	70	1,261
Rent	-	1,182	854	2,036
Travel	28,881	275	353	29,509
Conference, convention, meeting	150	201	-	351
Memberships	-	1,648	50	1,698
Insurance	-	2,118	840	2,958
Credit card fees	-	4	4,221	4,225
Bank charges	-	162	104	266
Advertising expenses	70,959	708	-	71,667
State filing fees	-	275	-	275
Other expenses	-	-	200	200
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 931,547</u>	<u>\$ 58,320</u>	<u>\$ 95,842</u>	<u>\$ 1,085,709</u>

The accompanying notes are an integral part of these financial statements.

**LUNG CANCER FOUNDATION OF AMERICA**

**STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (305,497)	\$ 267,528
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in operating assets and liabilities:		
Pledges receivable	(45,737)	(289,723)
Other assets	(963)	(19,803)
Accounts payable	6,688	(11,777)
Grants payable	300,000	100,000
Net Cash Provided By (Used In) Operating Activities	<u>(45,509)</u>	<u>46,225</u>
<b>NET CHANGE IN CASH</b>	(45,509)	46,225
<b>CASH AT BEGINNING OF YEAR</b>	<u>776,754</u>	<u>730,529</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 731,245</u>	<u>\$ 776,754</u>

The accompanying notes are an integral part of these financial statements.

# LUNG CANCER FOUNDATION OF AMERICA

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### NOTE 1 – Nature of Business

Lung Cancer Foundation of America (the Foundation) was established in 2007 as a Minnesota nonprofit corporation. The purpose of the Foundation is to dramatically improve the survivorship of lung cancer patients through the funding of transformative science, with the ultimate goal of curing the disease. To accomplish this, the Foundation works to raise both the funds and the national profile of lung cancer in order to substantially increase support of innovative and groundbreaking research efforts.

### NOTE 2 – Summary of Significant Accounting Policies

#### *Recently Adopted Accounting Standards*

In May 2014, the Financial Accounting Standards Board (FASB) issued Topic 606, *Revenue from Contracts with Customers, as amended*. The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods and services. The accounting guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract. The Foundation has adopted this standard as of January 1, 2019, using the modified-retrospective method applied to all contracts. The adoption of this guidance did not have a material impact on the Foundation's financial statements.

In June 2019, the FASB issued Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for contributions Received and Contributions Made*. The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and determining whether a contribution is conditional. The Foundation has adopted this standard as of January 1, 2019, using the modified-retrospective method applied to all contracts. The adoption of this guidance did not have a material impact on the Foundation's financial statements.

**LUNG CANCER FOUNDATION OF AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Financial Statement Presentation***

The financial statements of the Foundation have been prepared under the accrual basis of accounting. The accompanying financial statements include statements of financial position that present the amounts for each of two classes of net assets –net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of donor-imposed restrictions. They also include statements of activities that reflect the changes in those categories of net assets, and statements of functional expenses that associate expenses with service efforts.

Net assets without donor restrictions include those net assets that may be used by the Foundation for any of its programs or administrative support. Net assets with donor restrictions include those net assets whose use by the Foundation has been limited by donors to specified purposes or time restrictions including those that would restrict the net assets into perpetuity. However, donor-imposed stipulations on contributions who's stipulations are met in the same reporting period are recorded as net assets without donor restrictions.

***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

***Certificate of Deposit***

The Foundation holds a certificate of deposit with an original maturity of more than one year, with these instruments being reported in the accompanying statements of financial position at fair value.

**LUNG CANCER FOUNDATION OF AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Pledges Receivable***

Unconditional promises to give (pledges) are recorded as receivables and contributions, distinguishing between contributions received for each net asset class in accordance with donor-imposed restrictions. Conditional pledges are recorded when such conditions have been satisfied. An allowance for uncollectible contributions receivable is provided, based on management's judgment, including such factors as prior collection history, type of donation, nature of fundraising activity and when time requirements are expected to be met. Management believes the remaining outstanding receivables as of December 31, 2019 and 2018 are collectible in full and, accordingly, no allowance for uncollectible receivables has been provided. Receivables expected to be collected in more than 12 months are recorded at the net present value of the estimated future cash flows, when such discount is determined to be material.

***Revenue and Support***

Contributions, including pledges, whether with or without donor restrictions, are recognized as support in the period received or pledged. Amounts received or promised that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases those net asset classes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Special event revenue is recognized in the period earned.

***Donated Goods and Services***

A substantial number of volunteers make significant contributions of their time in the furtherance of the Foundation's purpose. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements. In-kind donations and services for which fair value can be validated and requiring specific expertise have been reflected in the financial statements at their estimated fair value. During the years ended December 31, 2019 and 2018, the Foundation recorded no donated goods or services within contributions or special event revenue or expenses.

**LUNG CANCER FOUNDATION OF AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Grants Payable***

In March 2017, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant called for the awarding of \$200,000 in 2017. The Foundation paid \$100,000 and \$75,000 of the award during the years ended December 31, 2018 and 2019, respectively. The remaining \$25,000 will be paid out in the year ended December 31, 2020.

In March 2018, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant called for the awarding of \$400,000 in 2018. The Foundation paid \$75,000 and \$225,000 of the award during the years ended December 31, 2018 and 2019, respectively. The remaining \$100,000 will be paid out in the year ended December 31, 2020.

The Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant called for the awarding of \$600,000 in 2019. No amounts were paid out as of December 31, 2019. The remaining \$600,000 will be paid out in the years ended December 31, 2020 and 2021.

***Income Taxes***

The Foundation has received tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code.

The Foundation recognizes the financial statement benefit of tax positions, such as its position of being tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and state purposes is generally three and four years, respectively.

***Concentration of Risk***

During the year ended December 31, 2019, three donors represented 51% of the Foundation's revenue. During the year ended December 31, 2018, three donors represented 64% of the Foundation's revenue.

There were no donors that exceeded 10% of accounts receivable as of December 31, 2019 and 2018.

**LUNG CANCER FOUNDATION OF AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Concentration of Risk (Continued)***

The Foundation had one vendor in 2019, which represented 10% of the Foundation's expenses for the year then ended. The Foundation had one vendor in 2018, which represented 15% of the Foundation's expenses for the year then ended.

***Recent Accounting Pronouncement***

In February 2016, the FASB issued new lease accounting guidance in ASU 2016-02 *Leases* (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date of the lease and disclose key information about leasing arrangements. ASU 2016-02 will be effective for the Foundation on January 1, 2021 and will be applied on a modified-retrospective basis. The Foundation is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on its financial position, results of operations, and cash flows.

***Subsequent Events***

The Foundation's management has evaluated subsequent events and transactions for potential recognition or disclosure through May 12, 2020, the date the financial statements were available to be issued.

**LUNG CANCER FOUNDATION OF AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 3 – Liquidity and Availability of Resources**

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

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Cash	\$ 731,245	\$ 776,754
Certificate of deposit	51,245	-
Contributions receivable	200,000	100,000
	982,490	876,754
Less amounts unavailable for general expenditure within one year due to:		
Donor imposed purpose or time restrictions	(274,350)	(465,200)
	<b>\$ 708,140</b>	<b>\$ 411,554</b>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 4 – Pledges Receivable**

Pledges receivable are expected to be collected as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Amounts due in:		
One year	\$ 200,000	\$ 100,000
Two to five years	375,000	450,000
	575,000	550,000
Present value discount	(39,540)	(60,277)
Pledge receivable, net	<b>\$ 535,460</b>	<b>\$ 489,723</b>

The Foundation has received conditional pledges totaling \$535,460 and \$489,723 as of December 31, 2019 and December 31, 2018, respectively. \$150,000 and \$400,000 were recognized in 2019 and 2018 respectively as conditions were met.



**LUNG CANCER FOUNDATION OF AMERICA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 5 – Net Assets With Donor Restrictions**

Net assets with donor restrictions, totaling \$274,350 and \$465,200 at December 31, 2019 and 2018, respectively, consists of contributions received and restricted by donors for time and for Young Investigator Research Fellowship.

**NOTE 6 – Contingencies**

***Risks Associated with the Impact of COVID-19***

Due to the severity and global nature of the COVID-19 pandemic, it is reasonably possible that the estimates in the financial statements may be impacted in the near term. The impact on the Foundation's activities could be significant and have an impact on its financial position and operating results. There is significant uncertainty regarding this issue and management is in the process of evaluating the potential future impact on its financial statements.