

LUNG CANCER FOUNDATION OF AMERICA

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 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.

Emphasis of Matter

As discussed in Note 1, during the year ended December 31, 2018, Lung Cancer Foundation of America adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter

Winder, Inc.

Long Beach, California
May 24, 2019

LUNG CANCER FOUNDATION OF AMERICA

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
CURRENT ASSETS		
Cash	\$ 776,754	\$ 730,529
Certificate of deposit	50,282	30,479
Pledges receivable, net	<u>489,723</u>	<u>200,000</u>
TOTAL ASSETS	<u>\$ 1,316,759</u>	<u>\$ 961,008</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 16,750	\$ 28,527
Grants payable	<u>425,000</u>	<u>325,000</u>
	<u>441,750</u>	<u>353,527</u>
NET ASSETS		
Without donor restrictions	409,809	401,481
With donor restrictions	<u>465,200</u>	<u>206,000</u>
	<u>875,009</u>	<u>607,481</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,316,759</u>	<u>\$ 961,008</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>
SUPPORT AND REVENUE			
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>
EXPENSES			
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>
CHANGE IN NET ASSETS	8,328	259,200	267,528
NET ASSETS AT BEGINNING OF YEAR	<u>401,481</u>	<u>206,000</u>	<u>607,481</u>
NET ASSETS AT END OF YEAR	<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 ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 596,615	\$ 240,600	\$ 837,215
Special events, net of direct expenses of \$16,826 - 2017	41,171	-	41,171
Interest and investment income	1,389	-	1,389
Net assets released from restrictions	<u>112,600</u>	<u>(112,600)</u>	<u>-</u>
Total Support and Revenue	<u>751,775</u>	<u>128,000</u>	<u>879,775</u>
EXPENSES			
Program services	555,993	-	555,993
General and administrative	56,619	-	56,619
Fund-raising	<u>94,121</u>	<u>-</u>	<u>94,121</u>
Total Expenses	<u>706,733</u>	<u>-</u>	<u>706,733</u>
CHANGE IN NET ASSETS	45,042	128,000	173,042
NET ASSETS AT BEGINNING OF YEAR	<u>356,439</u>	<u>78,000</u>	<u>434,439</u>
NET ASSETS AT END OF YEAR	<u>\$ 401,481</u>	<u>\$ 206,000</u>	<u>\$ 607,481</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**

	Program Services	Management and General	Fund-raising	Total
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
	\$ 931,547	\$ 58,320	\$ 95,842	\$ 1,085,709
Total	\$ 931,547	\$ 58,320	\$ 95,842	\$ 1,085,709

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, 2017**

	Program Services	Management and General	Fund-raising	Total
Grants	\$ 200,000	\$ 100	\$ -	\$ 200,100
Salaries	134,845	13,078	49,089	197,012
Employee benefits	-	7,356	5,037	12,393
Payroll taxes	6,675	1,339	5,342	13,356
Fundraising fees	-	-	1,562	1,562
Accounting fees	-	26,609	-	26,609
Professional fees	122,044	350	3,600	125,994
Supplies	-	256	2,150	2,406
Telephone	-	-	765	765
Postage, shipping, delivery	-	497	757	1,254
Printing & copying	12,657	372	4,742	17,771
Books, subscriptions, reference	-	159	150	309
Web/Internet/Hosting Fees	-	1,113	1,793	2,906
Rent	-	1,836	155	1,991
Equipment	-	-	2,049	2,049
Travel	23,582	189	-	23,771
Conference, convention, meeting	445	141	-	586
Memberships	-	750	730	1,480
Insurance	-	2,017	4,424	6,441
Credit card fees	-	-	9,233	9,233
Bank charges	-	122	235	357
Outside computer services	-	-	1,843	1,843
Advertising expenses	55,394	-	-	55,394
State filing fees	-	30	-	30
Other expenses	351	305	465	1,121
	\$ 555,993	\$ 56,619	\$ 94,121	\$ 706,733
Total	\$ 555,993	\$ 56,619	\$ 94,121	\$ 706,733

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

LUNG CANCER FOUNDATION OF AMERICA

STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 267,528	\$ 173,042
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in operating assets and liabilities:		
Pledges receivable	(289,723)	(190,000)
Other assets	(19,803)	-
Accounts payable	(11,777)	20,100
Grants payable	100,000	125,000
Net Cash Provided By Operating Activities	<u>46,225</u>	<u>128,142</u>
NET CHANGE IN CASH	46,225	128,142
CASH AT BEGINNING OF YEAR	<u>730,529</u>	<u>602,387</u>
CASH AT END OF YEAR	<u>\$ 776,754</u>	<u>\$ 730,529</u>

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

LUNG CANCER FOUNDATION OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 2018, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities* and applied changes retrospectively. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Foundation updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

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.

LUNG CANCER FOUNDATION OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

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 restriction.

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 revenues 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.

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, 2018 and 2017 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.

LUNG CANCER FOUNDATION OF AMERICA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017, the Foundation recorded no donated goods or services within contributions or special event revenues or expenses.

Grants Payable

In February 2016, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant calls for the awarding of \$100,000 in 2017 and \$100,000 in 2018 (for a total of \$200,000 payable over two years). This grant will be matched 1:1 by another organization, the International Association for the Study of Lung Cancer (IASLC), for a total grant amount between the Foundation and IASLC of \$400,000. During the year ended December 31, 2018, the Foundation paid out the remaining portion of this grant.

In March 2017, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant calls for the awarding of \$200,000 in 2017. During the year ended December 31, 2017, the Foundation has paid \$100,000 of the award. The remaining \$100,000 will be paid out in the year ended December 31, 2019.

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Grants Payable (Continued)

In March 2018, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant calls for the awarding of \$400,000 in 2018. During the year ended December 31, 2018, the Foundation has paid \$75,000 of the award. A \$225,000 portion of the award is scheduled to be paid out in the year ended December 31, 2019. The remaining \$100,000 will be paid out in the year ended December 31, 2020.

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, 2018, three donors represented 64% of the Foundation's revenues. During the year ended December 31, 2017, two donors represented 60% of the Foundation's revenues.

There were no donors that exceeded 10% of accounts receivable as of December 31, 2018 and 2017.

The Foundation had one vendor in 2018, which represented 15% of the Foundation's expenses for the year then ended. The foundation had two vendors in 2017, which represented 45% of the Foundation's expenses for the year then ended.

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) (“ASU 2014-09”), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective with cumulative-effect-transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018 (fiscal year ending December 31, 2019 for the Foundation). The Foundation does not expect that the adoption of this pronouncement will have a material impact on its financial statements.

In June 2018, the FASB issues ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

The Foundation’s management has evaluated subsequent events and transactions for potential recognition or disclosure through May 24, 2019, the date the financial statements were available to be issued.

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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:

Cash and cash equivalents	\$ 311,554
Pledges receivables	<u>100,000</u>
	<u>\$ 411,554</u>

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

Contributions receivable are expected to be collected as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Amounts due in:		
One year	\$ 100,000	\$ 50,000
Two to five years	<u>450,000</u>	<u>150,000</u>
	550,000	200,000
 Present value discount	 <u>(60,277)</u>	 <u>-</u>
 Pledge receivable, net	 <u>\$ 489,723</u>	 <u>\$ 200,000</u>

The Foundation has received conditional pledges totaling \$489,723 and \$200,000 as of December 31, 2018 and December 31, 2017 respectively. \$400,000 and \$200,000 was recognized in 2018 and 2017 respectively as conditions were met.

NOTE 5 – Net Assets With Donor Restrictions

Net assets with donor restrictions, totaling \$465,200 and \$206,000 at December 31, 2018 and 2017, respectively, consists of contributions received and restricted by donors for time and for lung cancer awareness programs.