

**LUNG CANCER RESEARCH FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**LUNG CANCER RESEARCH FOUNDATION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 19

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lung Cancer Research Foundation

We have audited the accompanying financial statements of Lung Cancer Research Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, 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.

### **Auditor's 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 auditor's 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lung Cancer Research Foundation as of December 31, 2020 and 2019, 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts  
May 12, 2021

**LUNG CANCER RESEARCH FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Unreserved and reserved cash and cash equivalents:		
Cash and cash equivalents	\$ 3,910,801	\$ 3,392,551
Cash reserved under agency	<u>-</u>	<u>119,175</u>
Total unreserved and reserved cash and cash equivalents	3,910,801	3,511,726
Contributions receivable, net	551,477	288,800
Prepaid expenses	28,801	21,730
Property and equipment, net	79,879	138,514
Security deposits	<u>11,000</u>	<u>11,196</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,581,958</u></b>	<b><u>\$ 3,971,966</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 330,585	\$ 243,531
Funds held under agency	-	119,175
Grants payable	1,164,139	874,447
Refundable advances	<u>393,000</u>	<u>325,000</u>
Total liabilities	<u>1,887,724</u>	<u>1,562,153</u>
Commitments and contingencies (Notes 4, 8, 10, 11 and 14)		
Net assets:		
Without donor restrictions	2,607,323	2,334,813
With donor restrictions	<u>86,911</u>	<u>75,000</u>
Total net assets	<u>2,694,234</u>	<u>2,409,813</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,581,958</u></b>	<b><u>\$ 3,971,966</u></b>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 1,150,639	\$ 1,701,286	\$ 2,851,925
Revenue from special events:			
Gross receipts	\$ 2,227,149		
Less: direct costs	<u>317,083</u>		
Revenue from special events, net	1,713,566	196,500	1,910,066
Government grant	442,500		442,500
Investment income	1,357	-	1,357
Net assets released from restrictions	<u>1,885,875</u>	<u>(1,885,875)</u>	<u>-</u>
Total public support and revenue	<u>5,193,937</u>	<u>11,911</u>	<u>5,205,848</u>
Expenses:			
Program services	<u>3,878,972</u>	<u>-</u>	<u>3,878,972</u>
Supporting services:			
Management and general	323,913	-	323,913
Fundraising	<u>718,542</u>	<u>-</u>	<u>718,542</u>
Total supporting services	<u>1,042,455</u>	<u>-</u>	<u>1,042,455</u>
Total expenses	<u>4,921,427</u>	<u>-</u>	<u>4,921,427</u>
Changes in net assets	272,510	11,911	284,421
Net assets - beginning of year	<u>2,334,813</u>	<u>75,000</u>	<u>2,409,813</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,607,323</u>	<u>\$ 86,911</u>	<u>\$ 2,694,234</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 832,174	\$ 1,835,997	\$ 2,668,171
Revenue from special events:			
Gross receipts	\$ 3,311,792		
Less: direct costs	<u>647,382</u>		
Revenue from special events, net	2,523,410	141,000	2,664,410
Investment income	3,178	-	3,178
Net assets released from restrictions	<u>1,901,997</u>	<u>(1,901,997)</u>	<u>-</u>
Total public support and revenue	<u>5,260,759</u>	<u>75,000</u>	<u>5,335,759</u>
Expenses:			
Program services	<u>4,323,228</u>	<u>-</u>	<u>4,323,228</u>
Supporting services:			
Management and general	361,311	-	361,311
Fundraising	<u>852,288</u>	<u>-</u>	<u>852,288</u>
Total supporting services	<u>1,213,599</u>	<u>-</u>	<u>1,213,599</u>
Total expenses	<u>5,536,827</u>	<u>-</u>	<u>5,536,827</u>
Changes in net assets	(276,068)	75,000	(201,068)
Net assets - beginning of year	<u>2,610,881</u>	<u>-</u>	<u>2,610,881</u>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 2,334,813</u></b>	<b><u>\$ 75,000</u></b>	<b><u>\$ 2,409,813</u></b>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Supporting Services</u>			Direct Benefit to Donors	Total
	Program Services	Management and General	Fundraising		
Salaries and employee benefits	\$ 1,830,650	\$ 253,504	\$ 531,288	\$ -	\$ 2,615,442
Grants	1,156,323	-	-	-	1,156,323
Professional fees	178,491	19,688	28,236	-	226,415
Rent	152,415	18,587	45,749	-	216,751
Conferences and meetings	302	-	-	264,714	265,016
Bad debt	-	-	2,791	-	2,791
Computer	116,174	14,167	34,871	-	165,212
Public relations	33,775	-	-	-	33,775
Office	265,416	7,931	47,882	28,561	349,790
Travel	9,132	481	-	13,847	23,460
Telephone	30,826	3,759	9,253	-	43,838
Postage	62,269	528	5,505	9,961	78,263
Depreciation	<u>43,199</u>	<u>5,268</u>	<u>12,967</u>	<u>-</u>	<u>61,434</u>
	3,878,972	323,913	718,542	317,083	5,238,510
Expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(317,083)</u>	<u>(317,083)</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 3,878,972</u></b>	<b><u>\$ 323,913</u></b>	<b><u>\$ 718,542</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,921,427</u></b>

See accompanying notes to financial statements.



**LUNG CANCER RESEARCH FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Supporting Services</u>			Direct Benefit to Donors	Total
	Program Services	Management and General	Fundraising		
Salaries and employee benefits	\$ 2,134,241	\$ 274,410	\$ 632,006	\$ -	\$ 3,040,657
Grants	1,192,385	-	-	-	1,192,385
Professional fees	104,105	26,358	34,541	-	165,004
Rent	157,881	19,253	47,391	-	224,525
Conferences and meetings	24,451	-	-	547,352	571,803
Bad debt	-	-	18,517	-	18,517
Computer	121,643	14,833	36,514	-	172,990
Public relations	66,487	-	6,377	-	72,864
Office	362,619	8,844	47,204	15,190	433,857
Travel	84,171	10,522	10,522	72,703	177,918
Telephone	23,826	2,905	7,152	-	33,883
Postage	23,247	751	3,608	12,137	39,743
Depreciation	<u>28,172</u>	<u>3,435</u>	<u>8,456</u>	<u>-</u>	<u>40,063</u>
	4,323,228	361,311	852,288	647,382	6,184,209
Expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(647,382)</u>	<u>(647,382)</u>
<b>TOTAL EXPENSES</b>	<u>\$ 4,323,228</u>	<u>\$ 361,311</u>	<u>\$ 852,288</u>	<u>\$ -</u>	<u>\$ 5,536,827</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 284,421	\$ (201,068)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	2,791	18,517
Depreciation	61,434	40,063
Changes in assets and liabilities:		
Contributions receivable, net	(265,468)	9,942
Prepaid expenses	(7,071)	69,836
Other assets	196	40
Accounts payable and accrued expenses	87,054	(40,045)
Funds held under agency	(119,175)	19,175
Refundable advances	68,000	(190,496)
Grants payable	<u>289,692</u>	<u>(637,518)</u>
Net cash provided by (used in) operating activities	401,874	(911,554)
Cash used in investing activities:		
Purchase of property and equipment	<u>(2,799)</u>	<u>(152,218)</u>
Net increase (decrease) in unreserved and reserved cash and cash equivalents	399,075	(1,063,772)
Unreserved and reserved cash and cash equivalents - beginning	<u>3,511,726</u>	<u>4,575,498</u>
<b>UNRESERVED AND RESERVED CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 3,910,801</u></b>	<b><u>\$ 3,511,726</u></b>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Lung Cancer Research Foundation (the "Foundation"), formed in 2005, is a non-profit organization operating under the laws of the state of New York. The Foundation's mission is to improve and save lives by funding ground-breaking research for the prevention, diagnosis, treatment and cure of lung cancer.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net assets classifications:

*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* - The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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.

Recently Issued but not yet Effective Accounting Pronouncements

*Leases* - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. In July 2018, FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Foundation to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening statement of retained earnings. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2020. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* ("ASU 2020-05"). ASU 2020-05 provided for an optional election to defer the effective date for Topic 842 and related amendments for an additional year. Entities may elect to adopt the guidance on the adoption of Topic 842 for annual reporting periods beginning after December 15, 2021. The Foundation has determined to defer Topic 842 and is evaluating the impact this new guidance will have on its financial statements and related disclosures.

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Issued but not yet Effective Accounting Pronouncements (Continued)

*In-kind Contributions* - In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which will increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The Foundation is evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and a money market fund. The Foundation considers all highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents.

Revenue Recognition

In accordance with Accounting Standards Codification ("ASC") Topic 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under Topic 606, the Foundation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Foundation's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Foundation determines the transaction price based on contractually agreed-upon rates, adjusted for any variable consideration, if any.

Program services, walks, conventions and meetings, and educational programs are offered by the Foundation throughout the course of the year. Revenues from these services are recognized over time as services are rendered. Event revenue is recognized over the period the event takes place.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Advances received from grantors are reflected in the accompanying statements of financial position as "Refundable advances" until the Foundation incurs expenditures in accordance with the provisions of the grant.

*Grants and Contributions*

Contributions are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (Continued)

*Grants and Contributions (Continued)*

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give, that is, those with a measurable performance or other barriers, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Refundable Advance

Contributions related to and received in advance of a fundraising event or stipulated contract year are deferred until the actual occurrence of the event or the appropriate fiscal year, at which time the contributions are then recognized as revenue. Effective January 1, 2021, the Foundation recognized all refundable advances as contributions and grant revenue.

Donated Goods and Services

Donated goods and services are recognized as contributions if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated legal and media services amounting to \$54,486 and \$5,178 were provided to the Foundation and have been recorded in the accompanying statements of activities as "Contributions and grants" and "Professional fees" on the accompanying statements of functional expenses for the years ended December 31, 2020 and 2019, respectively.

In addition, a number of unpaid volunteers have made or have agreed to make significant contributions of their time. The value of such contributions is not reflected in these financial statements since these services do not require specialized skills.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At both December 31, 2020 and 2019, the allowance for doubtful accounts amounted to \$10,000.

Agency Transactions

The Foundation collects and holds funds on behalf of an unrelated organization or beneficiary. Expenditures of these funds are made by the Foundation when authorized by the beneficiary. The Foundation reflects the funds collected and held as a liability on the accompanying statements of financial condition. Authorized expenditures of these funds are reflected as a reduction of the liability. The changes in such agency funds are summarized in Note 4.

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

The Foundation follows the policy of capitalizing property and equipment purchases of \$5,000 or more. Property and equipment are recorded at cost, less accumulated depreciation. Major expenditures for property and equipment and those which substantially increase useful lives of assets are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets

The Foundation's long-lived assets are reviewed for impairment in accordance with the guidance of FASB ASC 360, *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At December 31, 2020 and 2019, management has determined that no long-lived assets are impaired.

Grants Payable

Grant expense and the related grants payable are recorded upon approval by the board of directors.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services in reasonable amounts and ratios determined by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and employee benefits	Time and effort
Rent	Time and effort

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 periods. Actual results could differ from those estimates.

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Foundation is organized as a New York State nonprofit corporation and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(a) as organizations described in IRC Section 501(c)(3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined that it is not subject to unrelated business income tax.

The Foundation recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Foundation assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has evaluated the Foundation's tax positions and believes that the Foundation has taken no uncertain tax positions that would require adjustments to the financial statements.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through May 12, 2021, the date on which these financial statements were available to be issued. Except for the matters identified in Note 17, the Foundation is not aware of any material events that required recognition or additional disclosure in these financial statements.

**NOTE 3. LIQUIDITY AND AVAILABILITY**

The Foundation receives contributions with and without donor restrictions. Contributions received with donor restrictions are to be used in accordance with the associated purpose and/or time restrictions. Typically, restrictions are released during the year received and combined support with and without donor restrictions have historically represented 100% of annual program funding needs.

The Foundation considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include management and general expenses, fundraising expenses and grant program expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

**LUNG CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- (1) Operating within a prudent range of financial soundness and stability;
- (2) Maintaining adequate liquid assets to fund near-term operating needs; and
- (3) Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support the mission's fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available for general expenditures at December 31, 2020 and 2019:

	2020	2019
Unreserved cash and cash equivalents	\$ 3,910,801	\$ 3,392,551
Contributions receivable, net	551,477	288,800
Total financial assets	4,462,278	3,681,351
Less amounts not available for general obligations within one year:		
Net assets with donor restrictions	86,911	75,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,375,367	\$ 3,606,351

The Foundation's board of directors meets annually in October to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents eight months of expenses for administrative, general and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the committee, which typically represents approximately 80% of the expected annual grant cash needs.

**NOTE 4. TRANSACTIONS IN FUNDS HELD UNDER AGENCY**

The asset account "Cash reserved under agency" and the liability account "Funds held under agency" represent contributions received by the Foundation on behalf of the agency it serves.

The financial effects of transactions related to agency funds are recorded as changes in funds held for agency liability and are not included in the accompanying statements of activities.



**LUNG CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 4. TRANSACTIONS IN FUNDS HELD UNDER AGENCY (CONTINUED)**

The changes in that liability for the years ended December 31, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Contributions	\$ 645,457	\$ 1,163,187
Deductions:		
Distributions	<u>764,632</u>	<u>1,144,012</u>
Change in agency funds	(119,175)	19,175
Balance in agency funds - beginning	<u>119,175</u>	<u>100,000</u>
Balance in agency funds - ending	<u>\$ -</u>	<u>\$ 119,175</u>

**NOTE 5. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents. The Foundation places cash with high credit quality financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation believes it is not exposed to any significant credit risk regarding its cash and cash equivalents.

Approximately 36% of the Foundation's total contributions receivable, net were due from two donors at December 31, 2020. Approximately 13% of the Foundation's total contributions receivable, net were due from one donor at December 31, 2019.

**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 60,874	\$ 60,874
Computer equipment and software	203,585	200,785
Leasehold improvements	<u>76,063</u>	<u>76,063</u>
	340,522	337,722
Less: accumulated depreciation	<u>260,643</u>	<u>199,208</u>
Property and equipment, net	<u>\$ 79,879</u>	<u>\$ 138,514</u>

**NOTE 7. CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 561,477	\$ 298,800
Less: allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
	<u>\$ 551,477</u>	<u>\$ 288,800</u>

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 8. GRANTS PAYABLE**

During the years ended December 31, 2020 and 2019, the Foundation made eight grants of approximately \$150,000 each, respectively. The grants of the Foundation are each payable over a two-year period. Grant expense amounting to \$1,156,323 and \$1,192,385 has been recognized in "Program services" in the accompanying statements of activities for the years ended December 31, 2020 and 2019, respectively.

The recipients of these grants are unrelated nonprofit organizations and universities with programs focused on developing early diagnostics and better treatment for lung cancer.

Outstanding grants payable amounting to \$1,164,139 and \$874,447 have been included in the statements of financial position as of December 31, 2020 and 2019, respectively.

**NOTE 9. CONDITIONAL PROMISES TO GIVE**

During the years ended December 31, 2020 and 2019, the Foundation received grants totaling approximately \$1,898,000 (the "2020 Conditional Grants") and \$1,977,000 (the "2019 Conditional Grants") (collectively, the "Conditional Grants"), respectively. The Conditional Grants contain grantor conditions (primarily completion of specifically identified events and milestones) and represent conditional promises to give. As such, they are not recorded as contribution revenue until the conditions are met.

Donations received from donors in advance of the conditions being met amounted to \$393,000 and \$325,000 and are included as "Refundable advances" on the accompanying statements of financial position at December 31, 2020 and 2019, respectively.

**NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS**

The Foundation's net assets with donor restrictions are available to satisfy the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Research	\$ 74,603	\$ 75,000
Patient education and outreach	<u>12,308</u>	<u>-</u>
	<u>\$ 86,911</u>	<u>\$ 75,000</u>

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or due to the passage of time as follows.

	<u>2020</u>	<u>2019</u>
Research	\$ 900,000	\$ 1,065,000
Patient education and outreach	635,000	640,000
Events	196,500	141,000
Marketing, communication and donor development	40,192	55,997
Passage of time	<u>114,183</u>	<u>-</u>
	<u>\$ 1,885,875</u>	<u>\$ 1,901,997</u>

**LUNG CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 11. COMMITMENTS**

The Foundation was obligated under operating leases for the rental of office space in New York and Wisconsin. The New York office lease terms are on a month-to-month basis.

The Foundation is obligated under a three-year office space lease in Wisconsin that began on February 1, 2019, and expires January 31, 2022.

Future minimum rental payments required under the Wisconsin operating lease at December 31, 2020, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2021	\$ 27,454
2022	<u>2,293</u>
	<u>\$ 29,747</u>

**NOTE 12. 401(k) PLAN**

The Foundation sponsors a 401(k) profit-sharing plan (the "Plan") for all eligible employees. Contributions to the Plan are made at the discretion of the board of directors. For the years ended December 31, 2020 and 2019, the Foundation made contributions to the Plan amounting to \$75,398 and \$80,691, respectively, which are included in "Salaries and employee benefits" in the accompanying statements of functional expenses.

**NOTE 13. RELATED-PARTY TRANSACTIONS**

For the years ended December 31, 2020 and 2019, the Foundation received contributions amounting to \$262,650 and \$423,101, respectively, from individuals who are on the board of directors.

**NOTE 14. JOINT COSTS**

For the years ended December 31, 2020 and 2019, the Foundation incurred expenses to conduct activities that had both fundraising appeals as well as mission program components ("Joint activities"). The Joint activities include direct mail campaigns. Such costs are allocated among functional expense categories as follows:

	<u>2020</u>	<u>2019</u>
Program services	\$ 18,729	\$ 10,274
Fundraising	<u>28,093</u>	<u>23,973</u>
	<u>\$ 46,822</u>	<u>\$ 34,247</u>

**NOTE 15. COVID-19**

During the 2020 fiscal year, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Minor disruptions to the Foundation's operations have occurred as a result from quarantines of employees and contributors and grantors in areas affected by the outbreak. No adjustments or provisions were made to the financial statements related to COVID-19.

**LUNG CANCER RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 16. PAYCHECK PROTECTION PROGRAM**

On April 30, 2020, the Foundation received loan proceeds of \$442,500 under the Paycheck Protection Program (the "PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after eight weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. Not more than 40% of the amount forgiven can be attributable to non-payroll costs. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP for the loan to be eligible for forgiveness.

The PPP loan matures two years from the date of first disbursement of proceeds to the Foundation (the "PPP Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the first six months and payable in equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Foundation has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, the Foundation recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. The Foundation deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program. The Foundation recognized \$442,500 in grant revenue under the PPP loan program during the year ended December 31, 2020, which is included in grant revenue on the accompanying statements of activities.

**NOTE 17. SUBSEQUENT EVENTS**

Paycheck Protection Program

The Foundation applied for PPP loan forgiveness and received approval from the Small Business Association in February 2021.

Paycheck Protection Program Second Draw Loan

During January 2021, the Foundation received loan proceeds of \$390,832 under the Paycheck Protection Program Second Draw Loans (the "PPP SD"). The second round of PPP funding, which was established as part of the Consolidated Appropriations Act, provides loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. Not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

**LUNG CANCER RESEARCH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 17. SUBSEQUENT EVENTS (CONTINUED)**

Paycheck Protection Program Second Draw Loan (Continued)

The PPP SD loan matures five years from the date of first disbursement of proceeds to the Foundation and accrues interest at a fixed rate of 1%. Payments are deferred for the covered period plus 10 months and payable in 50 equal consecutive monthly installments of principal and interest commencing on the 11-month anniversary of the end of the covered period.

The Foundation currently intends to use the proceeds for purposes consistent with the PPP SD, however, there can be no assurances that the Foundation will ultimately meet the conditions for forgiveness of the loan or that management will not take actions that could cause the Foundation to be ineligible for forgiveness of the loan, in whole or in part.