

LUNG CANCER RESEARCH FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

**LUNG CANCER RESEARCH FOUNDATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14



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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 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.

Auditor's 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 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.

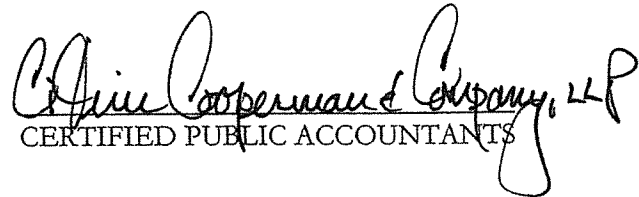
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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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, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
July 16, 2019

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

Unreserved and reserved cash and cash equivalents:	
Cash and cash equivalents	\$ 4,475,498
Cash reserved under agency	<u>100,000</u>
Total unreserved and reserved cash and cash equivalents	4,575,498
Contributions receivable, net	317,260
Prepaid expenses	91,566
Property and equipment, net	26,359
Security deposits	<u>11,236</u>
TOTAL ASSETS	<u>\$ 5,021,919</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 283,577
Funds held under agency	100,000
Grants payable	1,511,965
Deferred revenue	<u>515,496</u>
Total liabilities	2,411,038
Commitments (Notes 4, 8 and 10)	
Net assets without donor restrictions	<u>2,610,881</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,021,919</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$ 1,812,514	\$ -	\$ 1,812,514
Revenue from special events:			
Gross receipts	\$ 4,586,480		
Less: direct costs	<u>880,389</u>		
Revenue from special events, net	3,706,091	-	3,706,091
Other income	33,520		33,520
Investment income	<u>11,360</u>	<u>-</u>	<u>11,360</u>
Total public support and revenue	5,563,485	-	5,563,485
Net assets released from restrictions	<u>49,500</u>	<u>(49,500)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>5,612,985</u>	<u>(49,500)</u>	<u>5,563,485</u>
Expenses:			
Program services	<u>5,067,788</u>	<u>-</u>	<u>5,067,788</u>
Supporting services:			
Management and general	353,875	-	353,875
Fundraising	<u>912,619</u>	<u>-</u>	<u>912,619</u>
Total supporting services	<u>1,266,494</u>	<u>-</u>	<u>1,266,494</u>
Total expenses	<u>6,334,282</u>	<u>-</u>	<u>6,334,282</u>
Change in net assets	(721,297)	(49,500)	(770,797)
Net assets - beginning of year	<u>3,332,178</u>	<u>49,500</u>	<u>3,381,678</u>
NET ASSETS - END OF YEAR	<u>\$ 2,610,881</u>	<u>\$ -</u>	<u>\$ 2,610,881</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 1,984,150	\$ 242,275	\$ 595,569	\$ 2,821,994
Grants	1,948,851	-	-	1,948,851
Professional fees	304,005	55,905	64,110	424,020
Rent	189,226	23,075	56,799	269,100
Conferences and meetings	239,994	-	-	239,994
Bad debt	-	-	100,758	100,758
Computer	105,010	12,805	31,520	149,335
Public relations	107,751	-	11,973	119,724
Office	62,678	6,970	29,991	99,639
Travel	56,364	6,127	6,129	68,620
Telephone	25,000	3,048	7,504	35,552
Postage	28,321	1,666	3,332	33,319
Depreciation	<u>16,438</u>	<u>2,004</u>	<u>4,934</u>	<u>23,376</u>
TOTAL EXPENSES	<u>\$ 5,067,788</u>	<u>\$ 353,875</u>	<u>\$ 912,619</u>	<u>\$ 6,334,282</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:	
Change in net assets	\$ (770,797)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized gain on sale of investments	(9,528)
Bad debts	100,758
Depreciation	23,376
Changes in assets and liabilities:	
Contributions receivable, net	68,831
Prepaid expenses	38,885
Other assets	(236)
Accounts payable and accrued expenses	(237,233)
Funds held under agency	9,685
Deferred revenue	474,534
Grants payable	<u>134,737</u>
Net cash used in operating activities	<u>(166,988)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(12,122)
Proceeds from the sale of investments	<u>1,195,611</u>
Net cash provided by investing activities	<u>1,183,489</u>
Net increase in unreserved and reserved cash and cash equivalents	1,016,501
Unreserved and reserved cash and cash equivalents - beginning	<u>3,558,997</u>
UNRESERVED AND RESERVED CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,575,498</u>

See accompanying notes to financial statements.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 their restrictions. The Foundation did not have any net assets with donor restrictions at December 31, 2018.

Recently Adopted Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 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. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied to all periods presented.

Recently Issued but not yet Effective Accounting Pronouncements

Revenue Recognition

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective, for years beginning after December 15, 2018. The Foundation is currently completing its initial assessment and evaluation of the impact that ASU 2014-09 will have on the financial statements and related disclosures. At a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows from contracts.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued but not yet Effective Accounting Pronouncements (Continued)

Statement of Cash Flows

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15") which provides guidance on several cash flow classification issues. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. The Foundation is evaluating the effect that ASU 2016-15 will have on its financial statements and related disclosures. The Foundation is evaluating the effect that ASU 2016-15 will have on its financial statements and related disclosures.

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Foundation is currently completing its initial assessment and evaluation of the impact that ASU 2018-08 will have on its financial statements and related disclosures. At a minimum, the adoption will result in expanded disclosures that will enable users to better understand whether a contribution is conditional or unconditional.

Leases

Effective for the year ending December 31, 2020, the Foundation will adopt the provisions of FASB ASU No. 2016-02, *Leases*, which will replace the current guidance pertaining to the Foundation's lease obligations. The effect of adopting ASU No. 2016-02 on the Foundation's financial statements and related disclosures has not yet been determined.

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

Pledges are recognized in contribution income when a donor makes a pledge that is, in substance, unconditional. Pledges to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Contributions received are measured at their fair value and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit their use or if they are designated as support for future periods. When a donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as "Net assets released from restrictions." Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Program service fees are recognized in the applicable period in which the related services are performed.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Donations

Donated legal services amounting to \$8,185 were rendered on behalf of the Foundation and have been recorded in the accompanying statement of activities as other income and professional fees on the statement of functional expenses for the year ended December 31, 2018.

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.

The Foundation has determined that not all receivables are fully collectible; accordingly, an allowance for doubtful accounts amounting to \$73,000 has been recorded as of December 31, 2018.

Agency Transactions

Funds established by an unrelated organization using its own funds and for its own benefit are classified by the Foundation as a liability, rather than as a net asset. The Foundation refers to such funds as agency funds. The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation.

The Foundation's policy is to recognize the agency funds received on behalf of the beneficiary as a liability. Subsequently, when the Foundation spends the agency funds on behalf of the beneficiary, the liability previously recorded will be reduced by the amount of the expenditure. The changes in such agency funds are summarized in Note 4.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation sold 100% of its investments during the year ended December 31, 2018.

Investment transactions are recorded on a trade-date basis. Unrealized gains and losses represent the net change in the carrying value of securities owned as of the date of the statement of financial position. Realized gains and losses on investments are determined using the specific-identification method. Earnings from interest and dividends are recognized when earned.

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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.

Grants Payable

The Foundation awarded 13 grants for \$150,000, payable in two equal installments over two years. 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 statement 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
Grants	Directly charged
Professional fees	Directly charged
Rent	Square footage
Conference and meetings	Directly charged

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.

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 subject to unrelated business income tax and has appropriately filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 July 16, 2019, the date on which these financial statements were available to be issued. 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.

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

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

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)

The table below presents financial assets available for general expenditures at December 31, 2018:

Cash and cash equivalents	\$ 4,475,498
Contributions receivable	<u>317,260</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,792,758</u>

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 six 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 50% 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 statement of activities. The changes in that liability for the year ended December 31, 2018, are summarized as follows:

Contributions	\$ <u>880,087</u>
Deductions:	
Distributions	845,068
Commissions paid to the Foundation	<u>25,334</u>
Total deductions	<u>870,402</u>
Change in agency funds	9,685
Balance in agency funds - beginning	<u>90,315</u>
Balance in agency funds - December 31, 2018	<u>\$ 100,000</u>

NOTE 5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents. The Foundation places cash with high credit quality financial institutions. Account balances may, from time to time, exceed the federal deposit insurance limit. The Foundation believes it is not exposed to any significant credit risk regarding its cash and cash equivalents.

At December 31, 2018, approximately 16% of the Foundation's total contributions and other receivables was solicited by one donor.

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

Office furniture and equipment	\$	48,939
Computer equipment and software		70,002
Leasehold improvements		<u>66,563</u>
		185,504
Less: accumulated depreciation		<u>159,145</u>
Property and equipment, net	\$	<u>26,359</u>

NOTE 7. CONTRIBUTIONS RECEIVABLE

As of December 31, 2018, contributions receivable are due as follows:

Receivable in less than one year	\$	390,260
Less: allowance for doubtful accounts		<u>73,000</u>
		<u>\$ 317,260</u>

NOTE 8. GRANTS PAYABLE

During the year ended December 31, 2018, the Foundation made 13 grants of \$150,000 each. The grants of the Foundation are each payable over a two-year period. Accordingly, grant expense amounting to \$1,948,851 has been recognized in "Program services" in the accompanying statement of activities.

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

Outstanding grants payable amounting to \$1,511,965 have been included in the statement of financial position as of December 31, 2018.

NOTE 9. NET ASSETS WITH DONOR RESTRICTION

During the year ended December 31, 2018, the Foundation released net assets with donor restrictions totaling \$49,500; \$24,500 by incurring expenses related to the Action partnership grant and \$25,000 due to the passage of time.

NOTE 10. COMMITMENTS

The Foundation is obligated under operating leases to rent office space in New York (the "NY Lease") and Wisconsin (the "Wisco Lease-1"). The NY Lease expired on October 31, 2018. Subsequent to the lease expiration, the Foundation has continued leasing space on a month-to-month term.

The Wisco Lease-1 was set to expire on January 31, 2019. During November 2018, the Foundation entered into a new three-year office space lease in Wisconsin (the "Wisco Lease-2"). The Wisco Lease-2 begins February 1, 2019, and expires January 1, 2022.

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10. COMMITMENTS (CONTINUED)

Future minimum rental payments required under these operating leases at December 31, 2018, are as follows:

Year ending December 31:	Amount
2019	\$ 31,233
2020	26,655
2021	27,454
2022	2,293
	\$ 87,635

NOTE 11. 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 year ended December 31, 2018, the Foundation made contributions to the Plan amounting to \$71,126, which are included in "Salaries and employee benefits" in the accompanying statement of functional expenses.

NOTE 12. RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2018, the Foundation received contributions amounting to \$288,425 from individuals who are on the board of directors.