

LUNG CANCER RESEARCH FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**LUNG CANCER RESEARCH FOUNDATION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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 statements of financial position as of December 31, 2019 and 2018, 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, 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.

Adoption of New Accounting Pronouncements

As discussed in Note 2 to the financial statements, Lung Cancer Research Foundation adopted Accounting Standards Update ("ASU") Topic 606, *Revenue from Contracts with Customers*, as of January 1, 2019, using the modified retrospective transition method, ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. Our opinion is not modified with respect to this matter.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
April 17, 2020

LUNG CANCER RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Unreserved and reserved cash and cash equivalents:		
Cash and cash equivalents	\$ 3,392,551	\$ 4,475,498
Cash reserved under agency	<u>119,175</u>	<u>100,000</u>
Total unreserved and reserved cash and cash equivalents	3,511,726	4,575,498
Contributions receivable, net	288,800	317,260
Prepaid expenses	21,730	91,566
Property and equipment, net	138,514	26,359
Security deposits	<u>11,196</u>	<u>11,236</u>
TOTAL ASSETS	<u>\$ 3,971,966</u>	<u>\$ 5,021,919</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 243,531	\$ 283,577
Funds held under agency	119,175	100,000
Grants payable	874,447	1,511,965
Refundable advances	<u>325,000</u>	<u>515,496</u>
Total liabilities	1,562,153	2,411,038
Commitments and Contingencies (Notes 4, 8, 10, and 14)		
Net assets:		
Without donor restrictions	2,334,813	2,610,881
With donor restrictions	<u>75,000</u>	<u>-</u>
Total net assets	<u>2,409,813</u>	<u>2,610,881</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,971,966</u>	<u>\$ 5,021,919</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	\$ 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>
NET ASSETS - END OF YEAR	<u>\$ 2,334,813</u>	<u>\$ 75,000</u>	<u>\$ 2,409,813</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	\$ 1,846,034	\$ -	\$ 1,846,034
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
Investment income	11,360	-	11,360
Net assets released from restrictions	<u>49,500</u>	<u>(49,500)</u>	<u>-</u>
Total public support and revenue	<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>
Changes 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, 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	15,190	88,054
Office	362,619	8,844	47,204	-	418,667
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>
Total expenses	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>
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Supporting Services</u>			Direct Benefit to Donors	Total
	Program Services	Management and General	Fundraising		
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	-	-	693,942	933,936
Bad debt	-	-	100,758	-	100,758
Computer	105,010	12,805	31,520	-	149,335
Public relations	107,751	-	11,973	66,819	186,543
Office	62,678	6,970	29,991	-	99,639
Travel	56,364	6,127	6,129	105,537	174,157
Telephone	25,000	3,048	7,504	-	35,552
Postage	28,321	1,666	3,332	14,091	47,410
Depreciation	<u>16,438</u>	<u>2,004</u>	<u>4,934</u>	<u>-</u>	<u>23,376</u>
Total expenses	5,067,788	353,875	912,619	880,389	7,214,671
Expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(880,389)</u>	<u>(880,389)</u>
TOTAL EXPENSES ON THE STATEMENT OF ACTIVITIES	<u>\$ 5,067,788</u>	<u>\$ 353,875</u>	<u>\$ 912,619</u>	<u>\$ -</u>	<u>\$ 6,334,282</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ (201,068)	\$ (770,797)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Realized gain on sale of investments	-	(9,528)
Bad debt expense	18,517	100,758
Depreciation	40,064	23,376
Changes in assets and liabilities:		
Contributions receivable, net	9,942	68,831
Prepaid expenses	69,836	38,885
Other assets	40	(236)
Accounts payable and accrued expenses	(40,046)	(237,233)
Funds held under agency	19,175	9,685
Refundable advances	(190,496)	474,534
Grants payable	<u>(637,518)</u>	<u>134,737</u>
Net cash used in operating activities	<u>(911,554)</u>	<u>(166,988)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(152,218)	(12,122)
Proceeds from the sale of investments	<u>-</u>	<u>1,195,611</u>
Net cash provided by (used in) investing activities	<u>(152,218)</u>	<u>1,183,489</u>
Net increase (decrease) in unreserved and reserved cash and cash equivalents	(1,063,772)	1,016,501
Unreserved and reserved cash and cash equivalents - beginning	<u>4,575,498</u>	<u>3,558,997</u>
UNRESERVED AND RESERVED CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,511,726</u>	<u>\$ 4,575,498</u>

See accompanying notes to financial statements.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 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 restrictions.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), with several clarifying updates issued subsequently. In conjunction with Topic 606, a new subtopic, Accounting Standards Codification ("ASC") 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, was also issued. The updated standard replaces most existing revenue recognition and certain cost guidance under U.S. GAAP. Collectively, we refer to Topic 606 and Subtopic 340-40 as "ASC 606." ASC 606 amends existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods and services. The Foundation adopted ASC 606 effective January 1, 2019, using the modified retrospective transition method. Use of the modified retrospective approach means the Foundation's comparative periods prior to initial application are not restated. The Foundation has determined that the adjustments using the modified retrospective approach did not have a material impact on the date of the initial application along with the disclosure of the effect on prior periods. The Foundation did not apply any practical expedients in implementing ASC 606.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (Continued)

In June 2018, FASB issued ASU 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 adopted ASU 2018-08 effective January 1, 2019, using the modified prospective method. Under the modified prospective method, the amendments are applied to agreements that are either not completed as of the effective date or entered into after the effective date. The Foundation has determined that the application of the amendments of ASU 2018-08 did not have a material impact on the Foundation's financial statements and related disclosures.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)* ("ASU 2016-18"). ASU 2016-18 requires that a statement of cash flows explain the change during the period in cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents to reconcile to the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The Foundation adopted the provisions of ASU 2016-18 as of January 1, 2019.

Recently Issued but Not Yet Effective Accounting Pronouncement

Leases

Effective for the year ending December 31, 2021, the Foundation will adopt the provisions of FASB ASU No. 2016-02, *Leases* ("Topic 842"), 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. Topic 842 is effective for years beginning after December 15, 2021.

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

Year Ended December 31, 2019

The Foundation adopted ASC Topic 606 on January 1, 2019. With the adoption of 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.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Year Ended December 31, 2019 (Continued)

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 prior to the Foundation's expenditures or use of grants funds are reflected in the accompanying statements of financial position as "Refundable advances."

Year Ended December 31, 2018

For the year ended December 31, 2018, the Foundation recognized revenue when (1) the service was performed and the Foundation had no significant obligations remaining to be performed; (2) a final understanding as to specific nature and terms of the agreed-upon transaction had occurred; (3) price was fixed and determinable; and (4) collection was assured. Services generally met these criteria, and revenue was recognized, when services were rendered.

Grants and Contributions

Contributions of cash and other assets 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.

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 barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Deferred Revenue

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.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Donations

Donated legal services amounting to \$5,178 and \$8,185 were rendered on behalf of the Foundation and have been recorded in the accompanying statements of activities as contributions and professional fees on the accompanying statements of functional expenses for the years ended December 31, 2019 and 2018, 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.

The Foundation has determined that not all receivables are fully collectible; accordingly, an allowance for doubtful accounts amounting to \$10,000 and \$73,000 has been recorded as of December 31, 2019 and 2018, respectively.

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.

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.

The Foundation sold 100% of its investments during the year ended December 31, 2018.

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

Long-lived assets

The Foundation evaluates its long-lived assets for impairment in accordance with FASB ASC 360, *Property, Plant and Equipment*. If this evaluation indicates that an impairment loss should be recognized, the Foundation will charge operations for the estimated impairment loss in the period determined. No impairment charges were required for the years ended December 31, 2019 and 2018.

Grants Payable

The Foundation awarded 8 grants in 2019 and 13 grants in 2018. All grants are made in the amount of \$150,000 and are 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 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
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.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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-T) 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.

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.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Foundation's previously reported changes in net assets.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through April 17, 2020, the date on which these financial statements were available to be issued. Except for the matter discussed in Note 14, 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, 2019 AND 2018**

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, 2019:

Unreserved cash and cash equivalents	\$ 3,392,551
Contributions receivable, net	<u>288,800</u>
Total financial assets available to meet cash needs for general expenditures	3,681,351
Less amounts not available for general obligations within one year:	
Net assets with donor restrictions	<u>75,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,606,351</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.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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. The changes in that liability for the years ended December 31, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Contributions	\$ <u>1,163,187</u>	\$ <u>880,087</u>
Deductions:		
Distributions	1,144,012	845,068
Commissions paid to the Foundation	<u>-</u>	<u>25,334</u>
Total deductions	<u>1,144,012</u>	<u>870,402</u>
Change in agency funds	19,175	9,685
Balance in agency funds - beginning	<u>100,000</u>	<u>90,315</u>
Balance in agency funds - ending	<u>\$ <u>119,175</u></u>	<u>\$ <u>100,000</u></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 13% and 16% of the Foundation's total contributions and other receivables were due from one donor at December 31, 2019 and 2018, respectively.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office furniture and equipment	\$ 60,874	\$ 48,939
Computer equipment and software	200,786	70,002
Leasehold improvements	<u>76,063</u>	<u>66,563</u>
	337,723	185,504
Less: accumulated depreciation	<u>199,209</u>	<u>159,145</u>
Property and equipment, net	<u>\$ <u>138,514</u></u>	<u>\$ <u>26,359</u></u>

NOTE 7. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 298,800	\$ 390,260
Less: allowance for doubtful accounts	<u>10,000</u>	<u>73,000</u>
	<u>\$ <u>288,800</u></u>	<u>\$ <u>317,260</u></u>

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NOTE 8. GRANTS PAYABLE

During the year ended December 31, 2019, the Foundation made 8 grants of \$150,000 each. The grants of the Foundation are each payable over a two-year period. Accordingly, grant expense amounting to \$1,192,385 has been recognized in "Program services" in the accompanying statement of activities for 2019.

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 for 2018.

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 \$874,447 and \$1,511,965 have been included in the statements of financial position as of December 31, 2019 and 2018, respectively.

NOTE 9. CONDITIONAL PROMISES TO GIVE

During the years ended December 31, 2019 and 2018, the Foundation received grants totaling approximately \$1,977,000 (the "2019 Conditional Grants") and \$488,500 (the "2018 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.

For the year ended December 31, 2019, certain conditions were met and the Foundation recognized revenue of approximately \$1,902,000 related to the Conditional Grants, which is included in "Contributions with donor restrictions" and "Net assets released from restrictions" on the accompanying statement of activities.

For the year ended December 31, 2018, there were no conditions met and the remaining portion of the grants received, amounting to approximately \$488,500, were recognized as revenue during the year ended December 31, 2019, as the related conditions were met.

Donations received from donors in advance of the conditions being met amounted to \$325,000 and \$488,500 and are included in the accompanying December 31, 2019 and 2018 statements of activities, 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, 2019:

Research	\$ <u>75,000</u>
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There were no net assets with donor restrictions as of December 31, 2018.

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NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended December 31, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or due to the passage of time as follows.

	<u>2019</u>	<u>2018</u>
Research	\$ 1,065,000	\$ -
Patient education and outreach	640,000	-
Events	141,000	24,500
Marketing, communication and donor development	55,997	-
Passage of time	<u>-</u>	<u>25,000</u>
	<u>\$ 1,901,997</u>	<u>\$ 49,500</u>

NOTE 11. COMMITMENTS

The Foundation was obligated under operating leases for the rental of 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 basis.

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 began on February 1, 2019, and expires January 31, 2022.

Future minimum rental payments required under these operating leases at December 31, 2019, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2020	\$ 26,655
2021	27,454
2022	<u>2,293</u>
	<u>\$ 56,402</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, 2019 and 2018, the Foundation made contributions to the Plan amounting to \$80,691 and \$71,126, 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, 2019 and 2018, the Foundation received contributions amounting to \$423,101 and \$288,425, respectively, from individuals who are on the board of directors.

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NOTE 14. SUBSEQUENT EVENT

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Disruptions to operations could occur as a result from quarantines of employees, customers and suppliers in areas affected by the outbreak. Furthermore, economic uncertainties have arisen which are likely to negatively impact support and revenue. Given the uncertainty of the situation, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. No adjustments or provisions were made in these financial statements related to COVID-19.