

LUNG CANCER RESEARCH FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**LUNG CANCER RESEARCH FOUNDATION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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
June 21, 2018

**LUNG CANCER RESEARCH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,558,997	\$ 2,595,162
Investments, at fair value	1,186,083	25,475
Contributions and other receivable, net	486,849	575,085
Prepaid expenses	130,451	50,961
Property and equipment, net	37,613	44,555
Security deposits	<u>11,000</u>	<u>11,000</u>
TOTAL ASSETS	<u>\$ 5,410,993</u>	<u>\$ 3,302,238</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 611,125	\$ 80,360
Grants payable	1,377,228	1,000,000
Deferred revenue	<u>40,962</u>	<u>25,000</u>
Total liabilities	<u>2,029,315</u>	<u>1,105,360</u>
Commitments (Notes 7 and 9)		
Net assets:		
Unrestricted	3,332,178	2,095,628
Temporarily restricted	<u>49,500</u>	<u>101,250</u>
Total net assets	<u>3,381,678</u>	<u>2,196,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,410,993</u>	<u>\$ 3,302,238</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$ 1,746,230	\$ 35,000	\$ 1,781,230
Revenue from special events:			
Gross receipts	\$ 3,508,548		
Less: direct costs, including donated legal services of \$4,387	<u>728,335</u>		
Revenue from special events, net	2,780,213	-	2,780,213
Donated legal services	45,063	-	45,063
Investment income	<u>40,998</u>	<u>-</u>	<u>40,998</u>
Total public support and revenue	4,612,504	35,000	4,647,504
Net assets released from restrictions	<u>656,873</u>	<u>(656,873)</u>	<u>-</u>
Total public support and revenue and net assets released from restrictions	<u>5,269,377</u>	<u>(621,873)</u>	<u>4,647,504</u>
Expenses:			
Program services	<u>3,718,141</u>	<u>-</u>	<u>3,718,141</u>
Supporting services:			
Management and general	330,516	-	330,516
Fundraising	<u>519,646</u>	<u>-</u>	<u>519,646</u>
Total supporting services	<u>850,162</u>	<u>-</u>	<u>850,162</u>
Total expenses	<u>4,568,303</u>	<u>-</u>	<u>4,568,303</u>
Change in net assets before acquisition of Free to Breathe	701,074	(621,873)	79,201
Excess of assets acquired over liabilities assumed in contribution of Free to Breathe (Note 3)	<u>535,476</u>	<u>570,123</u>	<u>1,105,599</u>
Change in net assets	1,236,550	(51,750)	1,184,800
Net assets - beginning of year	<u>2,095,628</u>	<u>101,250</u>	<u>2,196,878</u>
NET ASSETS - END OF YEAR	<u>\$ 3,332,178</u>	<u>\$ 49,500</u>	<u>\$ 3,381,678</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$ 900,334	\$ 101,250	\$ 1,001,584
Revenue from special events:			
Gross receipts	\$ 3,287,510		
Less: direct costs	<u>593,542</u>		
Revenue from special events, net	2,693,968	-	2,693,968
Donated legal services	50,225	-	50,225
Interest income	<u>2,505</u>	<u>-</u>	<u>2,505</u>
Total public support and revenue	3,647,032	101,250	3,748,282
Expenses:			
Program services	<u>3,400,404</u>	<u>-</u>	<u>3,400,404</u>
Supporting services:			
Management and general	318,973	-	318,973
Fundraising	<u>517,848</u>	<u>-</u>	<u>517,848</u>
Total supporting services	<u>836,821</u>	<u>-</u>	<u>836,821</u>
Total expenses	<u>4,237,225</u>	<u>-</u>	<u>4,237,225</u>
Change in net assets	(590,193)	101,250	(488,943)
Net assets - beginning of year	<u>2,685,821</u>	<u>-</u>	<u>2,685,821</u>
NET ASSETS - END OF YEAR	<u>\$ 2,095,628</u>	<u>\$ 101,250</u>	<u>\$ 2,196,878</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Computer expenses	\$ 53,504	\$ 7,992	\$ 13,804	\$ 75,300
Depreciation expense	13,261	2,084	3,599	18,944
Donated services	-	40,676	-	40,676
Grants	1,688,109	-	-	1,688,109
Office expense	48,358	7,964	15,659	71,981
Postage	17,655	832	1,663	20,150
Printing	48,775	2,626	5,252	56,653
Professional fees	188,311	25,475	31,656	245,442
Public relations	86,028	-	9,556	95,584
Rent	140,640	22,101	38,174	200,915
Salaries and employee benefits	1,394,537	219,142	378,517	1,992,196
Telephone	10,334	1,624	2,805	14,763
Travel	28,629	-	1,939	30,568
Bad debt expense	<u>-</u>	<u>-</u>	<u>17,022</u>	<u>17,022</u>
TOTAL EXPENSES	<u>\$ 3,718,141</u>	<u>\$ 330,516</u>	<u>\$ 519,646</u>	<u>\$ 4,568,303</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management and General	Fundraising	Total
Computer expenses	\$ 39,712	\$ 8,067	\$ 16,995	\$ 64,774
Depreciation expense	9,759	1,983	4,176	15,918
Donated legal services	-	50,225	-	50,225
Grants	2,163,335	-	-	2,163,335
Office expense	42,219	13,461	31,968	87,648
Postage	4,291	872	1,836	6,999
Printing	1,341	272	575	2,188
Professional fees	59,644	41,389	24,842	125,875
Public relations	70,550	-	12,450	83,000
Rent	102,413	20,804	43,829	167,046
Salaries and employee benefits	864,965	175,708	370,172	1,410,845
Telephone	8,968	1,822	3,838	14,628
Travel	8,207	-	7,167	15,374
Bad debt expense	<u>25,000</u>	<u>4,370</u>	<u>-</u>	<u>29,370</u>
TOTAL EXPENSES	<u>\$ 3,400,404</u>	<u>\$ 318,973</u>	<u>\$ 517,848</u>	<u>\$ 4,237,225</u>

See accompanying notes to financial statements.

**LUNG CANCER RESEARCH FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,184,800	\$ (488,943)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	-	(138,430)
Bad debts	17,022	29,370
Depreciation expense	18,944	15,918
Changes in assets and liabilities:		
Contributions and other receivable, net	71,214	462,616
Prepaid expenses	(79,490)	(25,594)
Other assets	-	790
Donated securities sold	25,475	-
Accounts payable and accrued expenses	530,765	(5,664)
Deferred special events revenue	15,962	15,000
Grants payable	<u>377,228</u>	<u>303,815</u>
Net cash provided by operating activities	<u>2,161,920</u>	<u>168,878</u>
Cash flows from investing activities:		
Purchase of property and equipment	(12,002)	(20,497)
Proceeds from the sale of investments	-	153,626
Decrease in investments	<u>(1,186,083)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(1,198,085)</u>	<u>133,129</u>
Net increase in cash and cash equivalents	963,835	302,007
Cash and cash equivalents - beginning of year	<u>2,595,162</u>	<u>2,293,155</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,558,997</u>	<u>\$ 2,595,162</u>
Supplemental schedules for noncash investing activities:		
Excess of assets acquired over liabilities assumed in contribution of Free to Breathe	<u>\$ 1,105,599</u>	<u>\$ -</u>

See accompanying notes to financial statements.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Recently Issued but not yet Effective Accounting Pronouncements

Effective for the year ending December 31, 2018, the Foundation will be required to adopt Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two, and increases disclosures about financial measures and liquidity risks, among other changes. The effect of adopting this new guidance on the Foundation's financial statements and related disclosures has not yet been determined.

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.

Financial Statement Presentation

The Foundation follows the provisions of FASB Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. FASB ASC 958 requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At December 31, 2017 and 2016, the Foundation had no permanently restricted net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents.

Unrestricted Net Assets

Unrestricted net assets represent those resources that have no donor restrictions as to their use and are available to support the operating activities of the Foundation.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes or by the passage of time. Net assets released from restrictions represent the satisfaction of the restricted purposes or the passage of time specified by the donor.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as "Net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated legal services amounting to \$45,063 and \$50,225 were rendered on behalf of the Foundation and have been recorded in the accompanying statements of activities and functional expenses for the years ended December 31, 2017 and 2016, 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 and Other Receivable

Contributions and other 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 \$15,000 and \$40,000 has been recorded as of December 31, 2017 and 2016, respectively.

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. See Note 10 for a discussion of fair value measurements.

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 dates of the statements 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.

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 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.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable

The Foundation awarded one grant of \$75,000, payable within one year and 11 grants for \$150,000 payable in two equal installments over two years. Grants are recorded upon approval by the board of directors. Grants awarded in 2017 amounting to \$150,000 are payable in two equal annual payments of \$75,000 each.

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 consistently allocated among the program and supporting services in reasonable amounts and ratios determined by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 dates 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 Internal Revenue Service has determined that the Foundation is a charitable organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes.

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.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through June 21, 2018, the date on which these financial statements were available to be issued, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. ACQUISITION

On April 6, 2017, the Foundation entered into an agreement to acquire 100% of Free to Breathe ("FtB"), a not-for-profit, which is dedicated to funding innovative research and raising awareness to find a cure for lung cancer. FtB was acquired by the Foundation to further their common mission by achieving economies of scale and other synergies through integrating their programs. As a result, the FtB board of directors approved the dissolution of FtB, effective September 30, 2017, and the surviving not-for-profit corporation will be Lung Cancer Research Foundation.

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3. ACQUISITION (CONTINUED)

The following table summarizes the amounts of the assets acquired, liabilities assumed and inherent contribution as a result of no consideration provided by the Foundation, recognized at the acquisition date, September 30, 2017:

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 702,168
Contributions receivable	263,739
Prepaid expenses	32,692
Property and equipment, net	9,275
Investments	1,247,665
Accounts payable and accrued expenses	(406,490)
Grants payable	(566,697)
Deferred revenue	(1,167)
Funds held for LCMC	(90,315)
Refundable advance	(75,000)
Liability under operating lease	<u>(10,271)</u>
Total identifiable net assets	<u>\$ 1,105,599</u>
Inherent contribution	<u>\$ 1,105,599</u>

The inherent contribution is recognized as excess of assets acquired over liabilities assumed in the contribution of FtB as a \$570,123 and \$535,476 increase in unrestricted and temporarily restricted net assets, respectively, in the accompanying statements of activities.

NOTE 4. 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 its cash and cash equivalents 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, 2017 and 2016, approximately 10% and 11% of the Foundation's total contributions and other receivable was solicited by one donor, respectively.

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Office furniture and equipment	\$ 79,446	\$ 47,325
Computer equipment and software	27,375	24,649
Leasehold improvements	66,563	2,590
	173,384	74,564
Less: accumulated depreciation	135,771	30,009
Property and equipment, net	\$ 37,613	\$ 44,555

NOTE 6. CONTRIBUTIONS AND OTHER RECEIVABLE

As of December 31, 2017, contributions and other receivable are due as follows:

Receivable in less than one year	\$ 501,849
Less: allowance for doubtful accounts	15,000
	\$ 486,849

NOTE 7. GRANTS PAYABLE

During the year ended December 31, 2017, the Foundation and its acquired entity, FtB, made 11 grants amounting to \$150,000 each and one grant amounting to \$75,000. The grants of the Foundation are each payable over a two-year period. Due to the acquisition of FtB, FtB's grant payments were made over a different timeframe than initially scheduled. Accordingly, grant expense amounting to \$1,688,109 has been recognized in "Program services" in the accompanying 2017 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.

During the year ended December 31, 2016, the Foundation made 14 grants amounting to \$150,000 each and one grant amounting to \$75,000 to various organizations. The grants are each payable over a two-year period. The recipients of these grants are unrelated nonprofit organizations and universities with programs focused on developing early diagnostics and smarter treatment for lung cancer. Accordingly, grant expense amounting to \$2,163,335 has been recognized in "Program services" in the accompanying 2017 statement of activities.

Outstanding grants payable amounting to \$1,377,228 and \$1,000,000 have been included in the statements of financial position as of December 31, 2017 and 2016, respectively.

LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8. NET ASSETS

The Foundation's temporarily restricted net assets are available to satisfy the following purposes and/or the passage of time as of December 31, 2017:

Temporary Restriction	Amount
Action partnership grant	\$ 24,500
Restricted to future time periods	25,000
	\$ 49,500

NOTE 9. COMMITMENTS

The Foundation is obligated under an operating lease to rent office space in New York which is set to expire on December 31, 2018. Additionally, the Foundation took over the leased office space of FtB (see Note 3) in Wisconsin which expires on January 31, 2019.

Future minimum rental payments required under these operating leases are as follows:

Year ending December 31:	New York	Wisconsin	Total
2018	\$ 131,632	\$ 93,972	\$ 225,604
2019	-	7,850	7,850
	\$ 131,632	\$ 101,822	\$ 233,454

NOTE 10. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Foundation's assets measured at fair value on a recurring basis, using the fair value hierarchy as of December 31, 2017 and 2016:

Description	2017			Total	Valuation Technique
	Level 1	Level 2	Level 3		
Cash and cash equivalents:					
Money market mutual fund	\$ 109,888	\$ -	\$ -	\$ 109,888	(a)
Mutual funds	1,186,083	-	-	1,186,083	(a)
Total	\$ 1,295,971	\$ -	\$ -	\$ 1,295,971	

**LUNG CANCER RESEARCH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)

<u>Description</u>	<u>2016</u>			<u>Total</u>	<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
Cash and cash equivalents:					
Money market mutual fund	\$ 184,494	\$ -	\$ -	\$ 184,494	(a)
Equity securities - common stock	<u>25,475</u>	<u>-</u>	<u>-</u>	<u>25,475</u>	(a)
Total	<u>\$ 209,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,969</u>	

Below are descriptions of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Money market mutual funds are recorded at fair value based on the closing price as reported by the carrying broker-dealer.

Equity securities are valued based on the closing price reported in the active market in which the individual security is traded.

NOTE 11. 401(k) PLAN

The Foundation sponsors a 401(k) profit-sharing plan for all eligible employees, and contributions to the plan are made at the discretion of the board of directors. For the years ended December 31, 2017 and 2016, the Foundation made contributions to the plan amounting to \$52,200 and \$36,038, respectively, which are included in "Salaries and employee benefits" in the accompanying statements of functional expenses.