

**PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW**

LUNG CANCER FOUNDATION OF AMERICA

**FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

**PRELIMINARY DRAFT
SUBJECT TO CHANGE
FOR MANAGEMENT REVIEW**

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**PRELIMINARY DRAFT
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FOR MANAGEMENT REVIEW**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lung Cancer Foundation of America

We have audited the accompanying financial statements of Lung Cancer Foundation of America, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Foundation of America 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.

Long Beach, California
[REPORT DATE]

LUNG CANCER FOUNDATION OF AMERICA

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2017	2016
CURRENT ASSETS		
Cash	\$ 730,529	\$ 602,387
Certificate of deposit	30,479	30,479
Pledges receivable	<u>200,000</u>	<u>10,000</u>
TOTAL ASSETS	<u>\$ 961,008</u>	<u>\$ 642,866</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 28,527	\$ 8,427
Grants payable	<u>325,000</u>	<u>200,000</u>
	<u>353,527</u>	<u>208,427</u>
NET ASSETS		
Unrestricted	401,481	356,439
Temporarily restricted	<u>206,000</u>	<u>78,000</u>
	<u>607,481</u>	<u>434,439</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 961,008</u>	<u>\$ 642,866</u>

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

LUNG CANCER FOUNDATION OF AMERICA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the Year Ended December 31,	
	2017	2016
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Contributions	\$ 596,615	\$ 408,572
Special events, net of direct expenses of \$16,826 - 2017 and \$10,773 - 2016	41,171	27,186
Interest and investment income	1,389	607
Net assets released from restrictions:		
Restrictions satisfied by payments	112,600	137,000
Total revenue and support	751,775	573,365
EXPENSES		
Program services:		
Education, advocacy, and research	555,993	635,796
Total program services	555,993	635,796
Supporting services:		
General and administrative	56,619	67,851
Fund-raising	94,121	78,290
Total supporting services	150,740	146,141
Total expenses	706,733	781,937
CHANGE IN UNRESTRICTED NET ASSETS	45,042	(208,572)
TEMPORARILY RESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Contributions	240,600	90,000
Net assets released from restrictions		
Restrictions satisfied by payments	(112,600)	(137,000)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	128,000	(47,000)
CHANGE IN NET ASSETS	173,042	(255,572)
NET ASSETS AT BEGINNING OF YEAR	434,439	690,011
NET ASSETS AT END OF YEAR	\$ 607,481	\$ 434,439

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

LUNG CANCER FOUNDATION OF AMERICA

STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 173,042	\$ (255,572)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in operating assets and liabilities:		
Pledges receivable	(190,000)	(10,000)
Accounts payable	20,100	955
Grants payable	125,000	200,000
Net Cash Provided By (Used In) Operating Activities	<u>128,142</u>	<u>(64,617)</u>
NET CHANGE IN CASH	128,142	(64,617)
CASH AT BEGINNING OF YEAR	<u>602,387</u>	<u>667,004</u>
CASH AT END OF YEAR	<u>\$ 730,529</u>	<u>\$ 602,387</u>

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

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 – Nature of Business

Lung Cancer Foundation of America (the Foundation) was established in 2007 as a Minnesota nonprofit corporation. The purpose of the Foundation is to dramatically improve the survivorship of lung cancer patients through the funding of transformative science, with the ultimate goal of curing the disease. To accomplish this, the Foundation works to raise both the funds and the national profile of lung cancer in order to substantially increase support of innovative and groundbreaking research efforts.

NOTE 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions related to contributions.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Foundation.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. However, donor-imposed stipulations on contributions whose stipulations are met in the same reporting period are recorded as unrestricted net assets.

Permanently Restricted Net Assets – Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

As of December 31, 2017 and 2016, the Foundation had no permanently restricted net assets.

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Certificate of Deposit

The Foundation holds a certificate of deposit with an original maturity of less than one year, with these instruments being reported in the accompanying statement of financial position at fair value.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions are recognized as support in the period received or pledged. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the contribution as unrestricted. Special event revenue is recognized in the period earned.

Donated Goods and Services

A substantial number of volunteers make significant contributions of their time in the furtherance of the Foundation's purpose. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements. In-kind donations and services for which fair value can be validated and requiring specific expertise have been reflected in the financial statements at their estimated fair value. For each of the years ended December 31, 2017 and 2016, the Foundation received \$0 and \$2,300 in donated goods and services, which are reported within contributions. During the years ended December 31, 2017 and 2016, the Foundation had no donated goods and services within special event revenues.

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Grants Payable

In February 2016, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant calls for the awarding of \$100,000 in 2017 and \$100,000 in 2018 (for a total of \$200,000 payable over two years). This grant will be matched 1:1 by another organization, the International Association for the Study of Lung Cancer (IASLC), for a total grant amount between the Foundation and IASLC of \$400,000. During the year ended December 31, 2017, the Foundation paid out \$75,000 of the award. The remaining \$125,000 will be paid out in the year ended December 31, 2018.

In March 2017, the Board of Directors approved the awarding of a multi-year lung cancer research grant. This grant calls for the awarding of \$200,000 in 2017. During the year ended December 31, 2017, the Foundation has not paid out any of this grant.

Income Taxes

The Foundation has received tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code.

The Foundation recognizes the financial statement benefit of tax positions, such as its position of being tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and state purposes is generally three and four years, respectively.

Recent Accounting Pronouncement

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

LUNG CANCER FOUNDATION OF AMERICA

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Foundation's management has evaluated subsequent events and transactions for potential recognition or disclosure through [REPORT DATE], the date the financial statements were available to be issued.

NOTE 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets, totaling \$206,000 and \$78,000 at December 31, 2017 and 2016, respectively, consists of contributions received and restricted by donors for lung cancer awareness programs.

NOTE 4 – Concentration of Risk

Two donors represented 60% and 52% of the Foundation's revenues for the years ended December 31, 2017 and 2016, respectively.

There were no donors that exceeded 10% of accounts receivable as of December 31, 2017 and 2016.

The Foundation had two vendors in both 2017 and 2016, which represented 45% and 39% of the Foundation expenses for the years ended December 31, 2017 and 2016, respectively.