

LUNG CANCER INITIATIVE
FINANCIAL STATEMENTS
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lung Cancer Initiative
Raleigh, North Carolina

We have audited the accompanying financial statements of Lung Cancer Initiative, which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Initiative as of December 31, 2018 and 2017, 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.

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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Lung Cancer Initiative adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 19, 2019

LUNG CANCER INITIATIVE
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

| | 2018 | 2017 |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 550,236 | \$ 536,761 |
| Promises to give | 110,795 | 25,911 |
| Prepaid expenses | 28,280 | 8,428 |
| Equipment - net of accumulated depreciation of \$2,774 and \$1,795 | 2,121 | 3,100 |
| Investments | 100,000 | - |
| Beneficial interest in assets held by Triangle Community Foundation | 106,832 | 115,555 |
| Total assets | \$ 898,264 | \$ 689,755 |
| LIABILITIES | | |
| Accounts payable | \$ 2,799 | \$ 5,727 |
| Accrued expenses | 22,632 | 14,672 |
| Grants payable | - | 5,000 |
| Total liabilities | 25,431 | 25,399 |
| NET ASSETS | | |
| Without donor restrictions | 757,644 | 560,684 |
| With donor restrictions | 115,189 | 103,672 |
| Total net assets | 872,833 | 664,356 |
| Total liabilities and net assets | \$ 898,264 | \$ 689,755 |

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF ACTIVITIES
Years ended December 31, 2018 and 2017

| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 2018 | 2017 |
|--|-------------------|-------------------|
| REVENUES | | |
| Contributions | \$ 968,146 | \$ 659,028 |
| Special events | 183,794 | 134,277 |
| Cost of direct benefits to donors | (51,232) | (34,877) |
| Change in value of beneficial interest in assets held by Triangle Community Foundation | (8,723) | 13,590 |
| Investment return | 1,917 | 1,299 |
| Total revenues without donor restrictions | 1,093,902 | 773,317 |
| EXPENSES | | |
| Program services | 737,616 | 567,756 |
| Management and general | 88,001 | 74,147 |
| Fundraising | 174,997 | 128,951 |
| Total expenses | 1,000,614 | 770,854 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | |
| Satisfaction of program restrictions | 103,672 | 51,938 |
| Change in net assets without donor restrictions | 196,960 | 54,401 |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 115,189 | 103,672 |
| Net assets released from restrictions | (103,672) | (51,938) |
| Change in net assets with donor restrictions | 11,517 | 51,734 |
| Change in net assets | 208,477 | 106,135 |
| Net assets at beginning of year | 664,356 | 558,221 |
| Net assets at end of year | \$ 872,833 | \$ 664,356 |

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2018 and 2017

| | Supporting Lung Cancer Research and Education | Management and General | Fundraising | Cost of Direct Benefits to Donors | 2018 Total |
|--|---|---------------------------|-------------------|---|---------------------|
| Grants | \$ 330,000 | \$ - | \$ - | \$ - | \$ 330,000 |
| Events | 93,842 | - | 104,460 | 51,232 | 249,534 |
| Postage and printing | 10,035 | 3,621 | 3,728 | - | 17,384 |
| Professional fees | - | 20,150 | - | - | 20,150 |
| Personnel | 207,999 | 43,560 | 58,356 | - | 309,915 |
| Other | 78,537 | 16,984 | 4,767 | - | 100,288 |
| Occupancy | 17,203 | 3,686 | 3,686 | - | 24,575 |
| Total expenses | 737,616 | 88,001 | 174,997 | 51,232 | 1,051,846 |
| Less cost of direct benefits to donors included with support and revenue on the statements of activities | - | - | - | (51,232) | (51,232) |
| Total expenses included in the expenses section of the statements of activities | \$ 737,616 | \$ 88,001 | \$ 174,997 | \$ - | \$ 1,000,614 |
| | | | | | |
| | Supporting Lung Cancer Research and Education | Management and General | Fundraising | Cost of Direct Benefits to Donors | 2017 Total |
| Grants | \$ 225,000 | \$ - | \$ - | \$ - | \$ 225,000 |
| Events | 59,859 | - | 69,383 | 34,877 | 164,119 |
| Postage and printing | 8,028 | 3,901 | 3,124 | - | 15,053 |
| Professional fees | - | 19,400 | - | - | 19,400 |
| Personnel | 189,968 | 30,250 | 50,046 | - | 270,264 |
| Other | 72,594 | 17,959 | 3,761 | - | 94,314 |
| Occupancy | 12,307 | 2,637 | 2,637 | - | 17,581 |
| Total expenses | 567,756 | 74,147 | 128,951 | 34,877 | 805,731 |
| Less cost of direct benefits to donors included with support and revenue on the statements of activities | - | - | - | (34,877) | (34,877) |
| Total expenses included in the expenses section of the statements of activities | \$ 567,756 | \$ 74,147 | \$ 128,951 | \$ - | \$ 770,854 |

See accompanying notes.

LUNG CANCER INITIATIVE
STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017

| | 2018 | 2017 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 208,477 | \$ 106,135 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 979 | 979 |
| Change in value of beneficial interest in assets held by Triangle Community Foundation | 8,723 | (13,590) |
| (Increase) decrease in assets | | |
| Promises to give | (84,884) | 2,512 |
| Prepaid expenses | (19,852) | 1,599 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (2,928) | 2,371 |
| Accrued expenses | 7,960 | 4,455 |
| Grants payable | (5,000) | (120,000) |
| Net cash flows from operating activities | 113,475 | (15,539) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (100,000) | - |
| Net change in cash | 13,475 | (15,539) |
| Cash at beginning of year | 536,761 | 552,300 |
| Cash at end of year | \$ 550,236 | \$ 536,761 |

See accompanying notes.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

Lung Cancer Initiative (Initiative) is dedicated to decreasing deaths due to lung cancer and helping patients live longer and better, through research, awareness, and advocacy. The Initiative's support is provided primarily by contributions from the general public in North Carolina and corporations. The following description of significant accounting policies is provided to enhance the usefulness of the financial statements to the reader.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected. All promises to give at December 31, 2018 and 2017 are receivable in less than one year.

Equipment

The Initiative capitalizes equipment in excess of \$1,000 at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method. Depreciation expense for the years ended December 31, 2018 and 2017 was \$979 and \$979.

Contributions

Contributions that are restricted by the donor are reported 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 the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor 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 donor restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Initiative. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses, except grants, events, and professional fees, are allocated on the basis of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Supporting Lung Cancer Research and Education – The Initiative supports research in lung cancer, including understanding how sex differences contribute to disease onset and treatment outcomes. In addition, the Initiative creates and distributes educational materials on lung cancer treatment and clinical trials for patients, their caregivers and friends, and their treatment teams, and provides education to experts and the public about the causes, treatment, and prevention of lung cancer through Internet, telephone, and electronic messaging.

Management and General – The expenses necessary to manage the financial reporting and budgetary responsibilities of the Initiative as well as manage employees.

Fundraising – Includes staff time, event expenses, and related expenses to communicate with prospective funding sources.

Estimates

Management uses estimates and assumptions in preparing financial statements. 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 differ from those estimates.

Adoption of New Accounting Standard

The Organization adopted the Financial Accounting Standards Board's Account Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, as of and for the year ended December 31, 2018. This 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 changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Initiative is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management’s Review

Management has evaluated subsequent events through June 19, 2019, the date which the financial statements were available to be issued.

NOTE 2 – GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. Grants payable at December 31, 2017 were payable in the following year.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

The Initiative maintains its cash balances in one financial institution in Raleigh, NC. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017, the Initiative’s uninsured cash balances totaled \$326,060 and \$283,944.

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY TRIANGLE COMMUNITY FOUNDATION

The Initiative established the Lung Cancer Initiative Legacy Fund at Triangle Community Foundation (TCF). When the Initiative transfers the funds to TCF, it recognizes the transfer as a decrease in cash and an increase in an asset called beneficial interest in assets held by TCF. TCF acknowledges that by virtue of the governing instrument of TCF, TCF has the authority to modify any restriction or condition on the distribution of assets from the fund if, in the reasonable judgment of TCF, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by TCF. TCF maintains legal ownership of the fund. The Initiative is required to maintain a minimum balance of \$10,000 in the fund, and the remaining balance is available for grantmaking.

At December 31, 2018 and 2017, the Initiative has designated \$106,832 and \$115,555 of net assets without donor restrictions for the agency fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. Composition of and changes in board designated net assets were as follows:

| | 2018 | 2017 |
|--|------------|------------|
| Board designated Legacy Fund - beginning of year | \$ 115,555 | \$ 101,965 |
| Change in value of beneficial interest in assets held by Triangle Community Foundation | (8,723) | 13,590 |
| Board designated Legacy Fund - end of year | \$ 106,832 | \$ 115,555 |

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 are available for the following:

| | 2018 | 2017 |
|------------------------------------|------------|------------|
| Events | \$ 70,685 | \$ 61,672 |
| 5K runs | 29,004 | 27,000 |
| Gas card program | 10,000 | 10,000 |
| Education | 5,500 | 5,000 |
| Net assets with donor restrictions | \$ 115,189 | \$ 103,672 |

NOTE 6 – OPERATING LEASE

The Initiative rents office space in Raleigh, North Carolina under an operating lease agreement. The lease requires monthly payments of \$2,050 and expires on January 31, 2020. Rent increases by 3% annually. The lease includes an option to renew for one additional year. Rent expense for the years ended December 31, 2018 and 2017 was \$24,575 and \$16,184 respectively. Future minimum lease payments for the years ending December 31, 2019 and 2020 are \$25,281 and \$2,112 respectively.

NOTE 7 – INVESTMENTS

Investments at December 31, 2018 and 2017 are comprised of money market funds.

NOTE 8 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 is as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|------------|---|---|--|
| Beneficial interest in net assets held by TCF | \$ 106,832 | \$ - | \$ - | \$ 106,832 |
| Money market funds | 100,000 | 100,000 | - | - |
| 2018 | \$ 206,832 | \$ 100,000 | \$ - | \$ 106,832 |
| Beneficial interest in net assets held by TCF - 2017 | \$ 115,555 | \$ - | \$ - | \$ 115,555 |

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8 – FAIR VALUE MEASUREMENTS (continued)

The Initiative's beneficial interest in assets held by TCF represents an agreement between the Initiative and TCF in which the Initiative transfers assets to TCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the Initiative by TCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

| | Beneficial Interest in Assets Held by TCF | |
|--|--|------------|
| | 2018 | 2017 |
| Beginning balance | \$ 115,555 | \$ 101,965 |
| Change in value of beneficial interest included in change in net assets | (8,723) | 13,590 |
| Ending balance | \$ 106,832 | \$ 115,555 |

The change in value of the beneficial interest included in change in net assets is reported as agency fund investment return as part of the investment return in the statements of activities.

NOTE 9 – JOINT COSTS

The costs of events and related postage and printing held during the years ended December 31, 2018 and 2017 totaling \$193,114 and \$123,977 respectively to publicize the Initiative's mission and programs have been allocated equally between program services and fundraising expenses.

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following reflects the Initiative's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions and board designations.

| | |
|---|------------|
| Financial assets at end of year | \$ 867,863 |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Donor imposed restrictions | (115,189) |
| Board designations: | |
| Amounts set aside for Legacy Fund | (106,832) |
| Amounts set aside for liquidity reserve | (100,000) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 545,842 |

LUNG CANCER INITIATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 – LIQUIDITY AND AVAILABILITY (continued)

The Initiative's cash flow fluctuations during the year are attributable to timing of contributions. As part of the Initiative's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To manage liquidity, the Initiative set aside \$100,000 in an investment account to draw upon as needed during the year to manage cash flow and is then repaid as cash becomes available.